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VITALIZING MANAGEMENT
IN THE PUBLIC UTILITIES

CITY AND COUNTY OF SAN FRANCISCO

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100 California Street
San Francisco, California 94111
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June 13, 1968

Members, Public Utilities Commission
City and County of San Francisco
City Hall
San Francisco, California


Attention of Mr. James K. Carr
General Manager of Public Utilities

Dear Sirs:

With this letter we submit our report, Vitalizing Management in the Public Utilities. It contains the findings and recommendations stemming from our study of the overall organization and administration of the San Francisco public utilities. We believe that the completion of this assignment sets the stage for capitalizing on major opportunities for improvement.

Background of the Study

Commission members and the utilities General Manager have been deeply concerned over the difficulties encountered in meeting growing and increasingly complex service requirements. It was their opinion that the existing organization structure, developed in another era under conditions quite different from those of today, was impeding the effectiveness of management. This was evidenced by a number of visible signs - an inability to meet needed service changes quickly, delays in resolving important operating problems, and a lack of clearly defined service objectives.



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It was against this background that we were asked to conduct a comprehensive study of the San Francisco public utilities organization in order to pinpoint key areas of organizational weakness and to recommend changes necessary to achieve effective administration in the present environment.

Objectives and Approach

The basic objective of the study was to suggest specific organizational improvements which would increase management's effectiveness at all levels. However, our preliminary diagnosis indicated that there were also a number of important corollary objectives to be met. These were:

- ¶ Alleviate administrative pressures impeding top management's leadership role - demands on its time which present serious obstacles to effective administration
- ¶ Resolve urgent staff needs - needs which must be recognized and satisfied in order that positive, well-informed decisions can be made
- ¶ Capitalize on major improvement opportunities - particularly with respect to improving the City's economic return on its investment in people and physical resources.

Because the need for organizational improvement was immediate, it was agreed that solutions should be found which could be effected within the constraints imposed by the City Charter and Civil Service. Opportunities to improve organizational and administrative effectiveness requiring Charter amendment were also to be identified but would receive secondary emphasis.

Our study was conducted in a series of stages to enable us to develop a perspective for our work, identify systematically key problems and opportunities, and evaluate alternative solutions in order to select workable recommendations. Thus, in our study campaign we:

1. Reviewed the present organization structure, its division of responsibilities, duties, and reporting relationships, and the history of its evolution
2. Interviewed all operating executives and other informed personnel to secure a complete understanding of problems and to elicit their recommendations

3. Analyzed all relevant reports, statistical abstracts, documents, articles, and other material
4. Studied pertinent organization approaches used by other communities
5. Developed alternative working hypotheses for resolving key issues and problems
6. Secured tentative agreement from Commissioners, utilities operating executives, and other key City officials on the most desirable organizational solutions to the problems identified
7. Prepared this written report, documenting our findings, conclusions, and recommendations.

Major Findings And Conclusions

The chief deterrents to achieving full organizational effectiveness of the utilities are rooted in a number of key issues which emerged from our diagnostic work. These issues, summarized below, established the focus for a subsequent, more detailed analysis.

1. The General Manager is overburdened with a frustrating array of operating details. An excess of routine administrative paper work and constituent demands prevent him from exercising the strong leadership which the utilities require. He is able to devote only sporadic attention to major planning and operating matters for which top management guidance is most needed.
2. There are opportunities for realizing savings and major organizational improvements through realignment of department and bureau structures. The present organization structures were clearly appropriate at the time they were created. Growth and changing service requirements, however, have made them obsolete. The utilities organizations no longer focus on those operating tasks that are most important, and bureau responsibilities have not been redistributed to conform to operating needs. Thus, the existing structures actually hinder operating effectiveness, as well as impede opportunities to realize important personnel savings.
3. Important organization problems, widely recognized, have been allowed to drift. In many cases, the General Manager and department heads are well aware of organizational weaknesses and the

changes needed to correct them. They are particularly aware, for example, of a shortage of management depth and capability in key responsibility areas immediately subordinate to them. However, rather than filling these important positions with personnel who do not possess the appropriate qualifications, they have preferred to assume the added responsibilities themselves or to assign them to the few capable subordinates they have - who are already overburdened.

- ¶ Vital staff positions have not been recognized nor established. When the utilities were smaller and service requirements relatively stable, the need for full-time technical staff support was minimal. However, the time has long since passed when management can effectively meet rapid growth and increasingly complex service requirements without expert technical staff assistance. Failure to recognize and provide for this need, particularly with respect to the planning function, has been largely responsible for the pressing service problems facing the utilities today. In addition, long-recognized opportunities to substantially increase revenue from existing resources have remained untapped because the expertise necessary to capitalize on them has not been provided.

In short, we found that the utilities are confronted with several major organizational problems - all of which demand immediate, workable solutions.

Key Organizational Recommendations

In exploring alternatives for dealing with the issues described above, we found that a surprising number of improvements can be effected within the constraints imposed by the City Charter and Civil Service. Our major recommendations, summarized briefly below, can all be implemented promptly.

- ¶ Consolidate the Water Department and Hetch Hetchy Project into one streamlined organization - the Water & Power Department. San Francisco's vast water and power resources clearly constitute a single system and should be managed accordingly. Combining these two organizations not only will result in a stronger organization, but also will make possible substantial manpower savings by merging common staff functions, particularly engineering, accounting, and office services.

- ¶ Eliminate the Utilities Engineering Bureau and establish separate, specialized engineering groups in each of the operating utilities.* While engineering was of only minor importance to the Airport and Municipal Railway Departments when they were created, it is now a vital staff function in each. If today's service and expansion commitments are to be met, it is essential that each utility be staffed with its own engineering force, qualified to serve its particular operating capital program needs.
- ¶ Strengthen the General Manager's** Office by adding these key staff assistants:
- Deputy Executive Director, Utilities Operations Bureau: To give full-time direction and guidance to operating department heads; relieve the Executive Director of detailed problem analysis and routine operating decisions that must be made by the General Office; and exercise overall direction of the utilities in the Executive Director's absence
 - Director, Research & Planning Bureau: To head the utilities' total research and planning efforts; identify planning requirements; coordinate the planning activities of internal staffs and outside consultants; and personally conduct selected research and planning projects.

* - This recommendation was presented to the Public Utilities Commission in our interim report of March 29, 1968, and is in the process of being implemented.

** - The position "General Manager of Public Utilities" has been retitled "Executive Director" to reflect more closely his responsibilities as chief executive officer of the utilities complex and to eliminate the confusion which arises from the fact the department heads are also called general managers. Moreover, we believe that this new designation is appropriate because "Executive Director" has become a commonly used title for chief executives of similar public agencies. In the remainder of this letter the title "Executive Director" is used in reference to this position.

- Director, Transportation Bureau: To bring outstanding expertise and full-time direction to the resolution of basic transportation issues facing the utilities departments; and represent the San Francisco public utilities in the development of integrated transportation systems for the City and the Greater Bay Area.
- Director, Utilities Property Management Bureau: To provide full-time professional leadership in planning and developing the economic and recreational potential of the utilities' vast land holdings within and outside San Francisco.
- Administrative Assistant to the Executive Director: To provide assistance to the Executive Director in carrying out administrative details, executing routine paper work, and ensuring efficient scheduling of the Executive Director's time.

In addition, the responsibilities of existing positions on the Executive Director's staff have been redefined to strengthen functional leadership of the entire complex.

- 5 Restructure the basic organization of each of the three separate utilities. Our recommendations provide for the restructuring of each operating utility to focus line management efforts on those key responsibility areas which influence operational effectiveness. In addition, self-sufficient staff functions should be established in each department - namely, accounting, personnel, planning, and engineering - to create a fully rounded and responsive management team.

With this streamlined organization each department head can now assume the responsibility and authority which he requires to give strong leadership to his "business" enterprise.

Effecting Change

We believe that the stage is set for prompt and decisive action. On the basis of discussions with senior utilities management and Commission members, we are confident that our recommendations will receive their strong support. Furthermore, key City officials, who must give final approval for the recommendations, have evidenced a strong desire to effect change where there is a clear need and opportunity for improvement. Given this favorable climate, the major remaining task is to initiate a vigorous and well-organized program directed toward obtaining the authorization to proceed with implementation.

The cost of change is reasonable. We estimate that the 12 recommended new positions will cost approximately \$280,000. However, offsetting this cost are savings of approximately \$310,000, which would be achieved through elimination of about 20 surplus positions. More importantly, the dollar benefits that can be realized by implementing our proposals are substantial. These include, but are not limited to:

- ¶ Increased income from optimum economic use of utilities properties
- ¶ Economies resulting from better planning
- ¶ Increased water and power revenue
- ¶ Increased Airport income.

In sum, we believe the proposed organizational changes will improve immeasurably the administrative effectiveness of this large segment of San Francisco Municipal Government. At the same time, they will establish the groundwork for substantial economies and increased revenue in the future.

* * *

We wish to express our appreciation for the opportunity to assist you in seeking solutions to these issues of critical importance to both the Public Utilities Commission and the City of San Francisco. We also would like to acknowledge the wholehearted cooperation and support given us by Commissioners, the Executive Director, and his senior staff. Their combined efforts contributed substantially to the recommendations presented in the accompanying report.

Respectfully submitted,

McKinsey & Company, Inc.

VITALIZING MANAGEMENT IN

THE PUBLIC UTILITIES

CITY AND COUNTY OF SAN FRANCISCO

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VITALIZING MANAGEMENT IN

THE PUBLIC UTILITIES

CITY AND COUNTY OF SAN FRANCISCO

1 - SAN FRANCISCO'S PUBLIC UTILITIES IN PERSPECTIVE

In order to determine what organizational changes are needed to increase administrative effectiveness, San Francisco's public utilities first must be viewed in a meaningful perspective. This requires a clear understanding of the role of the utilities today, important environmental forces affecting them, and the implications of these factors on organizational requirements.

This chapter describes the perspective we have developed, and thus provides the background for focusing on organizational issues.

CHANGING ROLE OF THE UTILITIES COMPLEX

San Francisco's public utilities complex is unique among municipal governments. No other major U.S. city owns and operates as a single unit a completely integrated water and power system, a public transit network, and one of the world's largest air terminal facilities. Moreover, since the complex was originally formed, all three utilities have undergone substantial change both in size and scope of operations. Each is now a large-scale business enterprise in itself.

Rapid and Continuing Growth

The utilities of today bear little resemblance to the relatively modest activities grouped together under the Public Utilities Commission by the City Charter of 1932. The San Francisco International Airport now serves more people in a single day than it did during all of 1932; the Municipal Railway has assumed the entire task of providing mass transit within the City; and the water system has been expanded to serve 1.5 million more people than it did in 1932. And the utilities will continue to grow at an accelerated pace: Airport projections indicate that traffic will double within the next 5 years, the Muni is expected to play a substantially larger role than it does today in public transportation for the entire Bay Area, and the water and power requirements of users outside the City are expanding.

Increasingly Complex Service Requirements

The changing requirements of the environment are not reflected in volume figures alone. More significantly, the growth of each utility has been accompanied by increasingly sophisticated service needs, resulting not only from the expanded scale of operations, but also from economic and technological changes.

The Airport must provide continually improved systems to move people efficiently on a mass scale between air and surface modes of transportation; in addition, it must supply many different kinds of support services for the burgeoning Airport city. The Muni will have to develop new mass transit concepts in order to relieve congestion problems already of critical proportions. And means should be devised to capitalize more fully on water and power resources.

New Dimensions Of Administration

Rapid growth and the increasing complexity of service requirements have added significantly to the management task at all levels. Growth has placed heavier responsibilities on senior managers and has created the need for a larger management group. Increased complexity has called for greater specialization of duties and improved technical skills. Overall, these changes require more sophisticated and capable management.

OVERRIDING INFLUENCE OF OUTSIDE FORCES

While the operating utilities should be viewed as separate businesses, all are subject to a number of important common influences outside the Public Utilities Commission. They must operate within the framework and constraints imposed by City Government, and their activities are affected by a host of Federal, State, and local interest groups. These influences can be either constraining or supportive forces to effective operations.

City Administration Controls Financial and Manpower Resources

Unlike private businesses which generally can act autonomously in raising and spending financial resources, the public utilities depend upon higher authorities within City Government - the Mayor and the Board of Supervisors - to approve the basic funds for operations. Thus, the utilities must conform operations and programs to the Administration's desires and the City's overall resources.

Moreover, the Civil Service Commission has a dominant influence over the supply and caliber of utilities personnel, as it is the only source for all but a handful of their manpower needs. And the Civil Service rules govern both the selection and compensation of utilities employees.

Other Major Outside Influences

Each utility has overlapping interests with other City departments and Bay Area governments, as well as with regional, State, and Federal agencies. No operating utility can change the size or scope of its services significantly without affecting the interests of one or more of these groups. This represents both a serious restraint to freedom of action and an important opportunity for synergy from concerted efforts.

IMPLICATIONS FOR ORGANIZATIONAL REQUIREMENTS

This brief perspective highlights three important considerations which must be recognized and provided for in improving the public utilities organization:

- 1 Adequate planning for future service needs. The present dynamic environment places extreme importance on effective short- and long-term planning. The utilities must have the capability to develop and implement farsighted service programs in response to changing requirements. At stake is not only the ability to provide efficient, low-cost utilities services, but also the effective deployment of vast capital resources.
- 2 Organizational flexibility to respond to change. Growth and complexity should not reduce the ability of each operating utility to respond quickly and well to changing service needs. Thus, the organization of each should have the necessary structure and skills to make this possible.
- 3 Strong overall leadership for the utilities complex. In any departmentalized enterprise there are important functions which can best be carried out on a centralized basis. Typically, they are activities which cut across department lines, require an unusually high degree of management expertise, and must be carried out consistently. These activities must be identified and provided for in order to ensure strong overall direction for the total utilities complex.

2 - MAJOR ORGANIZATIONAL ISSUES

The perspective described in Chapter 1 provided the framework for our review of the public utilities organization structure. Working with the Commission and management, we pinpointed the following deficiencies in the present organization:

1. There is insufficient backup of the General Manager. Because his staff has not been expanded in response to growth and change, the General Manager does not have the support required to administer the \$120 million utilities complex most effectively.

As a result, the General Manager is extremely overburdened. He must cope with a continual flow of operating emergencies and an ever-increasing volume of administrative detail. These immediate demands on his time seriously limit the attention he can give to his primary responsibilities - stimulating outstanding performance in the operating utilities and ensuring that needs and opportunities for further improvement are aggressively pursued. His two principal assistants are also overloaded. The assistant general managers for the administration and finance functions must deal with the overflow of operating problems which the General Manager does not have time to handle. Thus they do not have adequate time to give strong leadership to their functional responsibilities: guiding and coordinating the financial and administrative affairs of the utilities as a whole.

Administration of the utilities complex requires a high degree of top-level supervision and leadership. But at the present time, the General Manager cannot act with maximum effectiveness as chief executive, and his staff members cannot devote full time to their appropriate roles, because the existing structure lacks both the necessary numbers and expertise. The "fire-fighting" atmosphere which prevails in these circumstances will continue to exist until the General Manager is provided with adequate, expert backup.

2. The public utilities lack the capability to plan future growth. The planning function has been neglected for many years, and today there are few plans, either short- or long-range, for growth and development. This past neglect is illustrated by the lack of policies for developing the utilities' vast land resources and by the failure of the public utilities to participate influentially in resolving Bay Area transportation problems. In addition, the Airport has no agreed-upon plans for further development after saturation of its present site's capacity,

which will occur within a few years. And the Water Department has no guidelines for determining whether its service area should be expanded.

In this situation, growth and change take place on a piecemeal, "catch up" basis - to meet emergencies after they have arisen. For example, the present Airport expansion program was developed in this manner; by the time present expansion reaches completion, passenger volume will nearly equal the expanded capacity. Piecemeal planning of this sort is not only inefficient, but also costly.

Effective planning is essential to guide the efforts of management and to ensure that the complex is responsive to constantly changing and increasing service needs. The urgent need to plan further development is underscored by the size and importance of each utility business. However, no individual or group at any level within the utilities is able to accomplish this important task because they are too busy carrying out their assigned duties to assume the added responsibility. On the other hand, the inadequacy of using outside services to meet planning needs is demonstrated by the multitude of problems which remain unsolved and by the number of consulting studies which are totally or partially discarded.* Thus, the situation will perpetuate itself until internal planning staffs are provided.

3. Opportunities for achieving economies and increased effectiveness through organizational realignments have not been recognized. Within the present structure, there are opportunities for realizing immediate savings and improved administration by realigning bureau and department organizations. We have identified two major areas where such realignment is highly desirable. These concern administration of the water and power system and of the engineering function.

- Water and Power System. Responsibility for administration of the single water and power system is divided between the Water Department and the Hetch Hetchy Project. This division was appropriate in the past because the Water Department was an operating entity while Hetch Hetchy was still in the construction stage. Today, however, the distinction is supported only by an arbitrary, geographic separation of facilities. The types

* - Over \$400,000 has been spent for "planning" studies conducted by outsiders over the past two years.

of facilities and the activities of the two departments are in fact quite similar. In these circumstances, there is necessarily a great deal of duplication of effort and coordination of activities poses many problems.

- The Utilities Engineering Bureau (UEB). Although the UEB was originally created to provide engineering for the construction of Hetch Hetchy, today it also serves the Airport Department and the Municipal Railway. In recent years, the engineering requirements of these separate utilities have changed and increased significantly; each distinct business now has a need for different and highly specialized skills. Because it must try to meet this extremely wide range of engineering needs, the UEB cannot develop the specialized skills which each separate department requires. In other words, it is no longer realistic to organize the engineering function on a centralized basis.

In our judgment, realigning department and bureau structures in these two areas will result in substantial and immediate cost savings and will improve significantly both the management of the water and power system and the quality of engineering services.

4. Responsibility and authority have not been clearly delegated down the line. Too many decisions are made at the top - by the General Manager and his staff. This is due in large part to a failure to delegate sufficient authority and to spell out responsibilities at each level. Thus, many people are uncertain of their roles and do not know what is expected of them. Important tasks are sometimes delayed or not performed at all because no one has fixed responsibility for carrying them out. This situation makes it extremely difficult to ensure that important tasks are performed well or on time, to determine who is at fault when mistakes are made, or to react quickly in emergencies.
5. The organization structures of the utility departments do not reflect the characteristics of each utility business. The three systems - airport, transit, and water and power - can be considered today as distinct businesses, differing in facilities, types of services, trading areas, and growth patterns. As such, each requires a different mix of managerial and technical skills to deal most effectively with its particular problems. However, the existing organization structures do not adequately recognize or provide for these needs. As a result, in each department a number of operating tasks that are of key importance do not receive sufficient emphasis. For example:

- The Airport Department does not have resident engineering personnel to administer its \$110 million expansion program efficiently. Further, manpower has not been added to the revenue function - lease administration - in response to the increase in work volume. And key operating management is not represented during what are now the peak periods of operations activity.
- The Municipal Railway Department lacks coordination in operations and maintenance activities, and personnel administration for the 1,800 Muni operators is fragmented. The general manager's span of control has become broad and unmanageable because he does not have sufficient staff support.
- The Water Department has data processing equipment, the capabilities of which remain largely unexploited. And the department lacks staff to carry out even routine personnel administration activities.

These examples illustrate the inadequacy of the utility department organizations to meet present operating needs. Only when each is recognized as a unique business and structured and staffed accordingly, will they be able to achieve full effectiveness.

3 - BASIC ORGANIZATIONAL RECOMMENDATIONS

This chapter sets forth our recommendations for resolving the issues identified in Chapter 2. They are divided into three categories and are designed to: (1) strengthen overall leadership; (2) create more viable department and bureau alignments; and (3) gear department internal organizations to the unique requirements of each separate utility business.

The proposed changes have been developed through the joint efforts of management and our Firm. They have been endorsed by the General Manager, bureau directors, and department heads, and thus have the understanding and support of those who will have to implement and maintain them after our participation has ended. All of them can be accomplished within the constraints of the City Charter.

STRENGTHEN OVERALL LEADERSHIP

The responsibility for directing the utilities complex is vested in the Commission and the General Manager. The recommendations presented below are intended to clarify and strengthen the distinct roles which each must play in providing effective overall leadership for the enterprise.

Focus Commission Efforts On Policy Leadership

The Commissioners and management regard the Commission as a policy-making group. This concept is appropriate and is derived from the City Charter, which establishes Commission authority for basic policy direction for the utilities.

However, this broad policy responsibility has not been translated into a meaningful statement of what it encompasses. Thus there is no common understanding of exactly what this role entails, and general management therefore must rely on judgment or past precedent in determining what matters to bring to the Commission's attention. This situation has two inherent risks:

- ¶ The Commission may not be concerning itself with all the important policy issues that it should
- ¶ The Commission may be forced to play a somewhat passive rather than an active, leadership role in formulating policy decisions.

To lay the groundwork for the Commission to play a more positive role in policy direction, we recommend that steps be taken to:

1. Define policy-making spheres of responsibility. This requires that a statement be developed spelling out the areas for which the Commission will formulate policy directives, as well as the type of issues which should be brought to its attention for advice or resolution. These "terms of reference" might be grouped into such categories as planning, operations, finance, personnel, etc. By exclusion (or specific delegation), it would also make clear what matters should be dealt with by general management without reference to the Commission. Such a statement should, of course, be developed within the framework prescribed by the City Charter.
2. Maintain a continuing awareness of major problems and opportunities in each utility. New Commissioners should receive comprehensive briefings on the "state of affairs" in each utility as well as on major programs and policies currently in force. In addition all Commission members should receive periodic briefings, perhaps quarterly or semi-annually, devoted to major problems and opportunities in each utility. This will help to ensure that the Commission is focusing its attention on the key issues for which its assistance and guidance are most needed.
3. Reduce the time devoted to operating details. On the basis of our analysis of Commission activities, we are convinced that many routine matters now formally dealt with in Commission meetings can be delegated to operating management. In fact, this is essential if the Commission is to have sufficient time to enlarge its understanding of major problems and opportunities and to take a more active role in policy leadership.

A more detailed discussion of these recommendations and suggested steps for implementing them are contained in Appendix A.

Provide the Executive Director*
With an Expert Staff

The ability of the Executive Director to exercise forceful leadership is impaired by his excessive work load. The existing General Office staff, shown in Exhibit I, lacks the depth and expertise necessary to relieve him of administrative and operating details and to provide skillful planning assistance. We therefore propose a revised structure (set forth in Exhibit II), which includes provision for:

- ¶ Deputy Executive Director, Utilities Operations Bureau: The Deputy will provide strong supervision of the operating departments at the General Office level. He will relieve the Executive Director of detailed problem analysis and routine decision making with respect to operating matters and will be responsible for maintaining daily communication with the separate departments. The department heads will report directly to him, and he will assume the full authority of the Executive Director in his absence.
- ¶ Director, Research & Planning Bureau: He will provide overall direction for research and planning activities in the utilities. His role is thus similar in concept to those of other bureau directors, i. e., Finance, and Personnel and Safety, who ensure quality control of activities within their functional specialty. This director will be responsible for developing and maintaining an outstanding planning capability in the utilities and, to that end, will establish and introduce planning programs and processes. He will be concerned with identifying areas which require planning, selecting planning projects, and coordinating their execution by internal staffs and outside consultants.

* - The position "General Manager of Public Utilities" has been retitled "Executive Director" to reflect more closely his responsibilities as chief executive officer of the utilities complex and to eliminate the confusion which arises from the fact that department heads are also called general managers. Moreover, we believe that this new designation is appropriate because "Executive Director" has become a commonly used title for chief executives of similar public agencies. In the remainder of our report the title "Executive Director" is used in reference to this position.



(Failure to plan in the past has given rise to particularly urgent problems in two highly specialized areas - public transportation and property management. We therefore have recommended that separate bureaus, reporting to the Director, Research & Planning Bureau, be created for both areas.)

- § Director, Transportation Bureau: The problems of the entire Bay Area in the complicated field of public transportation are becoming increasingly critical. The belief is now widely held that it is inefficient to isolate the transportation needs of adjacent and interconnected communities, much less those within the City itself. The importance of San Francisco International Airport and the Municipal Railway to Bay Area transportation requires that the public utilities participate in dealing with these issues.

The new director will play an active role in representing San Francisco, and the utilities in particular, in planning the development of mass transit systems for the Bay Area. He will thus ensure that Muni and Airport transit problems are resolved favorably within the broader system. Within the utilities, the director will be responsible for planning the long-term development of the Muni system as well as of appropriate surface transit and heliport systems to serve the Airport. And he will ensure that such plans are translated into specific programs for implementation.

This position demands unique qualifications. The incumbent must be an acknowledged expert in transportation systems planning and development. He must possess demonstrated ability to deal successfully with major transportation problems. And he must be able to work closely and effectively with Federal, State, and local agencies in the transportation field.

- § Director, Utilities Property Management Bureau: The public utilities possess over 60,000 acres of land, both within and without San Francisco. The largest portion is undeveloped and used primarily for water shed and water storage; about half of it is leased to private individuals, principally for agricultural purposes. Its annual return is approximately \$500,000, but this yield is extremely low in relation to the land's actual value. This is not to suggest that this land should be devoted to commercial uses; it may be even more valuable for recreational purposes. In any case, further development is impossible until specific guidelines are formulated.

The Executive Director has spearheaded progress in this area for some time. However, in order to establish sound guidelines and to explore fully development opportunities, highly specialized skills are required on a full-time basis. We recommend, therefore, that a

bureau be created to deal with these problems. Its director should have considerable experience and expertise in developing and administering public lands.

- ¶ Assistant Executive Director, Finance & Accounts Bureau: The principal change proposed for this existing bureau is to shift its focus from administration of accounting activities within the department to upgrading the quality of financial services available to management throughout the utilities. We have recommended that department heads assume line authority over their respective accounting staffs. The Assistant Executive Director, Finance & Accounts Bureau, will continue to provide guidance for financial activities by establishing and maintaining sound policies and procedures.

In carrying out his new role, this director should place primary emphasis on introducing improved planning and control processes throughout the utilities, such as information systems to assist management in setting performance objectives and measuring results against them. In addition, we have recommended that the Finance & Accounts Bureau be the focal point for communicating all financial policy decisions and provide central services for developing and implementing uniform, simplified systems and procedures.

- ¶ Assistant Executive Director, Governmental Affairs Bureau:* We have recommended that this new title be adopted for the Assistant General Manager, Administrative, to more closely reflect the most important responsibilities of his suggested new role.

Much of the work load which the Executive Director has been unable to absorb has been passed on to the Assistant General Manager, Administrative. In his capacity as the Executive Director's principal assistant, he must, in addition, carry out an overwhelming number of operating and administrative tasks. He serves as chief executive in the Executive Director's absence, and deals with a host of operating matters on a continuing basis. He also is responsible for all administrative matters that come to the General Office, some of which require extensive review and analysis. At the same time, he must maintain open and favorable channels of communication with important external influences (i. e., City Government departments and other government agencies). Finally, he must screen and prepare all matters to be brought to the Commission's attention and satisfy its requests for information as they arise. In short, he has too many duties to be able to perform all of them well.

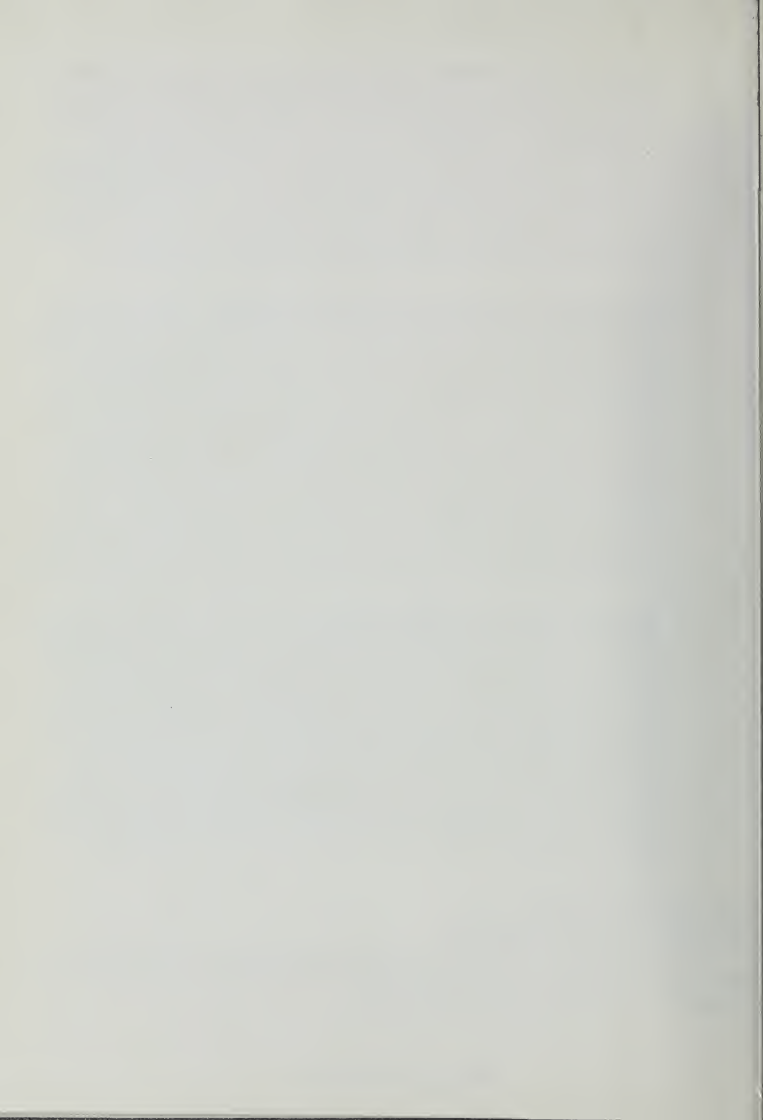
* - He also is Secretary to the Commission.

To alleviate this situation, it is essential that his scope of responsibilities be reduced. The creation of the position of Deputy Executive Director, Utilities Operations Bureau, will relieve him of operating responsibilities. In addition, we have recommended that he be relieved of most, if not all, of his routine correspondence and administrative paperwork duties. These duties can be performed effectively by an individual specifically assigned to the task. He would then be free to concentrate his efforts on maintaining close liaison with important external influences and resolving administrative problems of major concern to the Executive Director and the Commission.

- 5 Administrative Assistant to the Executive Director: This position has been created to ensure prompt and decisive action on all administrative details handled by the General Office. Reporting directly to the Executive Director, the incumbent will be responsible for screening and initiating action on routine matters - thereby permitting the Executive Director to devote his time more fully to those matters which are of primary importance. The position should be filled by a "bright young man", perhaps with a business administration or legal background. Rather than experience in city government, the main criterion for selection should be a talent for initiating action and seeing that staff work is completed before it is presented to the Executive Director. In major enterprises, both private and public, the need and value of a personal assistant to the chief executive has been amply demonstrated.
- 5 Director, Personnel & Safety Bureau: Our recommendations for changes in this bureau parallel those made for the Finance & Accounts Bureau - transferring line responsibility for administering personnel matters to the respective departments and strengthening the bureau's role of providing overall, functional leadership. The end result of these changes will be more self-sufficient and responsive services in the departments, while the bureau will be free to concern itself with the development of personnel policies and procedures designed to strengthen personnel administration throughout the utilities. This bureau will report to the Governmental Affairs Bureau in recognition of the need to coordinate its relationships with external agencies and groups, and also to reduce the number of positions reporting to the Executive Director.

CAPITALIZE ON MAJOR REALIGNMENT OPPORTUNITIES

The opportunities for realignment discussed in Chapter 2 are the basis for two recommendations - to establish a combined Water & Power Department, and to eliminate the Utilities Engineering Bureau.



Establish a Water & Power Department

The merging of the Water Department and the Hetch Hetchy Project organizations simply recognizes that San Francisco's water and power facilities constitute a single, integrated system. Thus, this is a natural organizational realignment from which a number of important advantages will accrue. The merged organization will result in a stronger top management structure, and problems of coordination will be eliminated. In addition, the consolidation of common staff activities - engineering, accounting, personnel, and planning - will permit substantial economies through manpower reduction.

This proposed merger is discussed in detail in a separate supplement to this report. The present organizations of the Water Department and Hetch Hetchy are illustrated in Exhibit III, and the structure of the proposed Water & Power Department is shown in Exhibit IV.

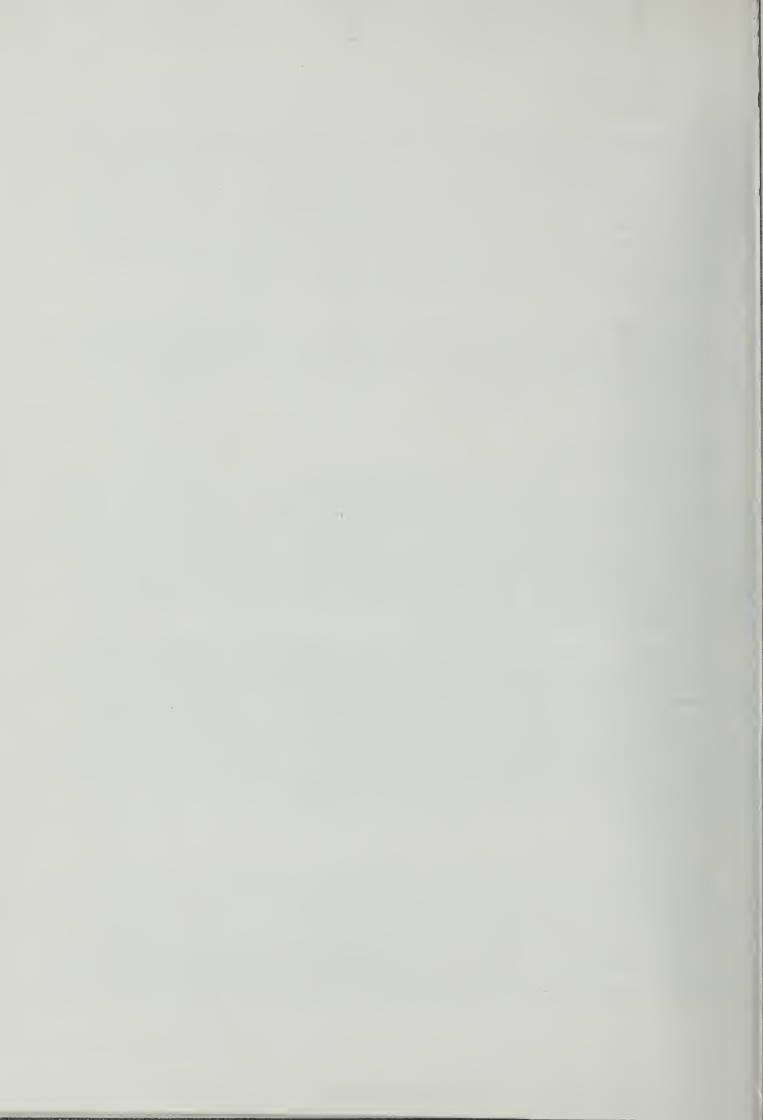
Eliminate the Utilities Engineering Bureau

The different and highly specialized engineering requirements of the utilities departments can no longer be met efficiently and quickly by a centralized engineering service. Because of an acute need for engineering support at the Airport, we prepared an interim report dated March 29, 1968, recommending the immediate transfer of Utilities Engineering Bureau personnel to serve as a nucleus Airport engineering staff. This recommendation was approved by the Commission and implementation is in progress.

As a further step toward ensuring effective engineering services, we recommend that the UEB be dissolved and that its personnel be assigned to the separate departments - Airport, Muni, and Water & Power - according to the engineering staff requirements of each. This proposed change will result in engineering staffs which are specialized in and responsive to the problems of each distinct business. Moreover, the more effective deployment of UEB personnel will make it possible to reduce the number of engineering positions required for the current level of activity.

* * *

Properly planned and carried out, these two realignments will produce manpower savings which more than offset the cost of all new positions recommended in this report. In addition to the savings attributable to a reduction in total personnel, the realignments undoubtedly will lead to further savings resulting from increased effectiveness. Thus, our recommendations are designed to increase the quality of management personnel while producing a positive economic benefit.



GEAR DEPARTMENT ORGANIZATIONS TO OPERATING REQUIREMENTS

This section contains recommended organizational changes to strengthen internal management of the utility departments. For convenience, these recommendations are summarized below and described in greater detail in the separately bound supplement to this report.

Effective management of the utility departments requires restructuring the existing organizations to provide:

1. Responsive, self-sufficient staffs to deal with recurring technical problems at the departmental level
2. Recognition of the needs and opportunities of the three unique businesses
3. More authority and responsibility for department managers.

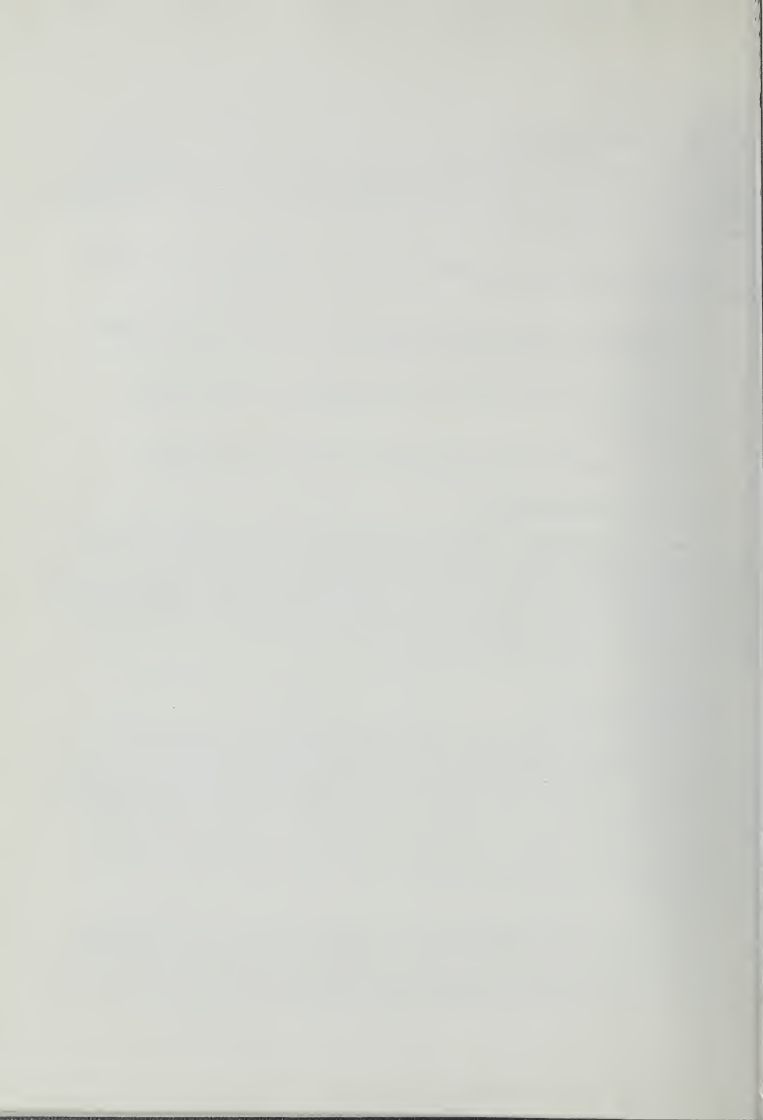
Provide Self-Sufficient Staffs

Our recommendations for decentralizing authority for accounting and personnel administration and for creating separate engineering staffs will result in self-sufficient support staffs in each operating utility. Internal provision for these services will necessarily contribute to stronger and more self-sufficient management of operations and consequently will reduce the number of operating details which must be dealt with by the General Office.

Recognize the Needs Of Each Business

The utility departments can be further strengthened by adapting their organization structures to the individual needs and opportunities of each distinct utility business. The existing organization of each department and the revised organization structures we recommend are set forth in Exhibits III through VIII. The suggested changes and the detailed rationale for each are presented in the supplement. In brief, these are designed to deploy skilled personnel to key responsibility areas which influence operations most significantly. The major changes can be summarized as follows:

- 1. Water & Power Department: The merger of the Water Department and Hetch Hetchy will require combining existing service staffs and will also necessitate creating the position of Deputy General Manager to supervise the greatly enlarged operating unit on a day-to-day basis.



In addition, a separate Electronic Data Processing Division will be created to capitalize on the potential of the existing equipment. For further detail, see the supplement and Exhibits III and IV.

- ¶ Airport Department: More expertise will be applied to realizing the revenue potential of the leasing function. Provision will be made for high-level supervision of operations 18 hours a day - which will include all peak periods of Airport activity (supplement and Exhibits V and IV).
- ¶ Municipal Transit Department*: The General Manager of the Muni will be provided with high-level assistance in three key areas - business administration, personnel, and operations and maintenance. The cable car system will be distinguished from the other operating divisions and made entirely independent with respect to repairs and maintenance (supplement and Exhibits VII and VIII).

Delegate More Responsibility To Department Managers

Internal technical staffs and the organizational realignments previously described will facilitate decentralizing primary responsibility for management of operations. Although this will not require any conceptual change in the existing utilities organization structure, it will necessitate a specific delegation of authority to the department managers. The Executive Director should delegate full authority for day-to-day management of operations to the separate departments, and none of the Executive Director's staff members except the Deputy Executive Director should have direct line authority over their functional counterparts within the departments. In turn, the department heads should assume full responsibility for the administration and management of their particular facilities and resources.

* * *

The changes we have recommended are directed toward resolving the major issues identified in Chapter 2, within the constraints imposed by the City Charter. When implemented, they will provide a structure which recognizes the particular requirements of the complex as a whole as well as those of the separate departments. This structure also should provide the framework for realizing further improvement in administrative processes.

* - Formerly Municipal Railway Department.



4 - EFFECTING CHANGE

Our Firm is dedicated to assisting clients in resolving important management problems which will bring substantial and lasting benefits. Thus, we are vitally concerned with effecting change successfully once solutions have been identified. This chapter describes what remains to be done - the task of implementing our recommendations.

INGREDIENTS FOR EFFECTING CHANGE

Three ingredients are required to implement successfully the changes we have recommended. These are:

1. A favorable climate for change: A genuine commitment on the part of those who must carry out change as well as those who must authorize it.
2. An action program: A well-conceived plan specifying all steps which must be taken to accomplish the transition.
3. Resources to get the job done: Qualified personnel to develop and implement the action program.

The balance of this chapter describes these ingredients in greater detail, focusing in particular on whether they are present today and, if not, on how they should be provided.

THE CLIMATE FOR CHANGE

We believe that there is a favorable climate for implementing our recommended changes, within both the public utilities and City Government.

General Acceptance by Commission Members And Management

Throughout our study Commission members and management have shown a sincere interest in resolving the problems faced by the public utilities. And because management participated actively in the study, the recommendations



have its common understanding and support. Thus, a climate of acceptance already exists, and we believe that the Commission and management are anxious to proceed with implementation.

A Receptive Administration

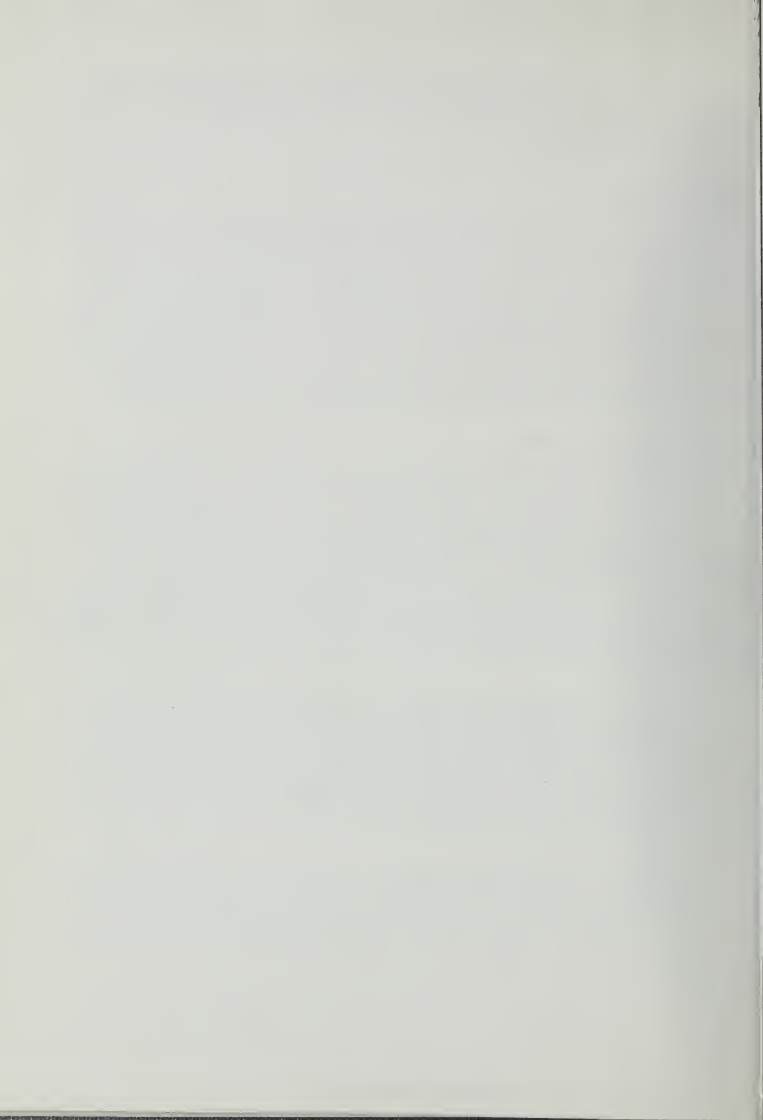
The present City Administration has been unusually receptive to opportunities for improvement. It has demonstrated its responsiveness to proposals for change and has even taken the initiative in seeking solutions to major problems. The utilities are an integral and important part of City Government, and their vitality is critical to the resolution of a number of key issues facing the Administration, such as public transportation and the financing of City services. For this reason, we are confident that a soundly conceived and widely accepted plan to strengthen the utilities organization will be well received. In support, we already have reviewed many of these recommendations with City officials.

THE PROGRAM FOR ACTION

In aggregate, the proposed changes represent a substantial reorganization task. They affect to some degree almost every facet of operations, both in the General Office and in each of the utility departments. Thus, while the new concepts of organization are straightforward and well understood, the details of change are many and complex. A carefully planned and executed program is therefore essential to ensure that an orderly and successful transition takes place. However, we believe that the program must be of a relatively fast pace in order to take full advantage of the initial momentum of acceptance. We envisage the program as progressing through four short stages and essentially complete within 2 to 3 months.

Stage 1: Organization Planning. This stage would be concerned with planning the execution of all responsibility changes and transfers. It involves mapping out and scheduling all management and down-the-line changes in the General Office and in each operating department, including the steps necessary to effect them. Because many of the changes cut across present organizational lines, the overall program must be closely coordinated.

Stage 2: Position Documentation. In this stage, position descriptions would be prepared for each new or modified position. Each description would include a statement of basic responsibilities, reporting relationships, major duties, minimum qualifications, and proposed



salary.* In addition, requests would be prepared for Civil Service classification of those positions, as well as for a master supplemental appropriation. Of the four stages, this will be the most demanding and time consuming.

Stage 3: Funding and Classification. This stage contains the steps required to gain administrative approval of all proposed changes. These steps include:

- Presenting supplemental appropriation requests to the P. U. C. , the Mayor, and the Board of Supervisors, respectively
- Submitting requests for classification by Civil Service of all new, changed, or transferred positions, and meeting any additional requests for information.

Stage 4: Recruitment and Selection. Following final approval of funding by the Board of Supervisors, management would begin filling the nonexempt positions through Civil Service channels. With respect to the new appointive positions, steps should be taken immediately to identify qualified candidates for them, in anticipation of formal approval.

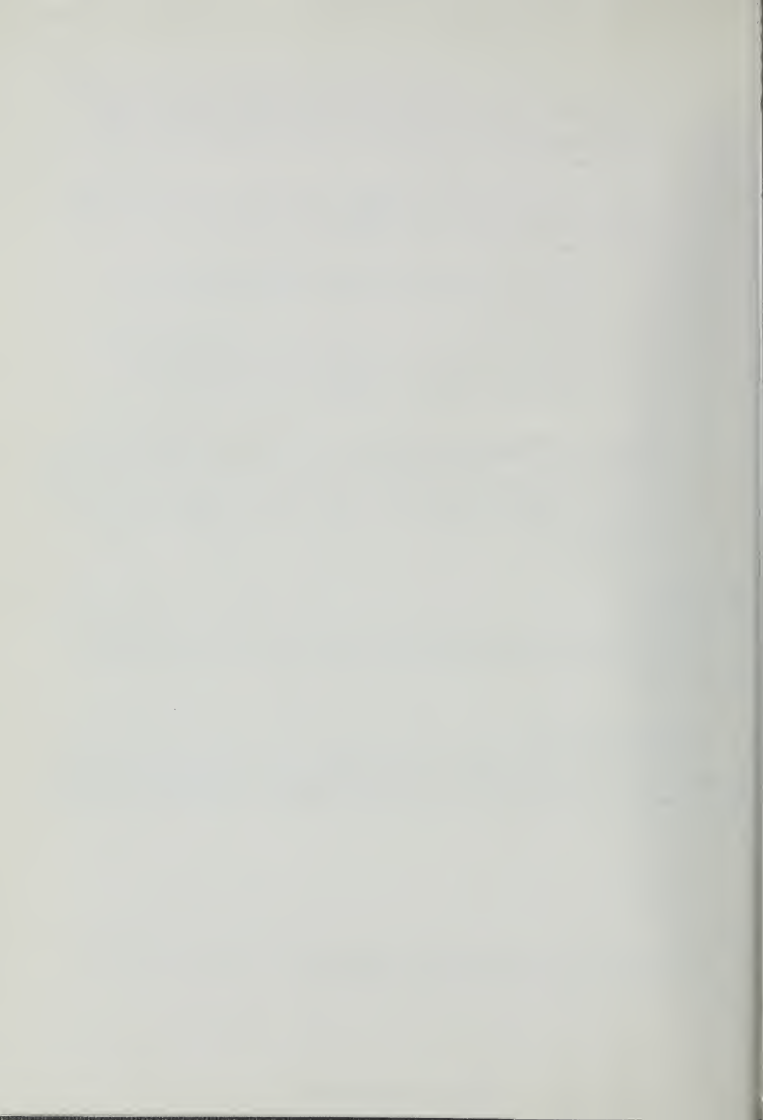
GETTING THE JOB DONE

Shepherding the implementation task through these stages will require management leadership and considerable staff assistance, particularly in stages 1 and 2.

Management's Role

The Executive Director and his department heads should assume primary responsibility for planning and executing changes in their respective organizations. However, to ensure that all steps are carefully planned and coordinated,

* - Appendix B presents suggested salary ranges for the new positions together with appropriate supporting data.



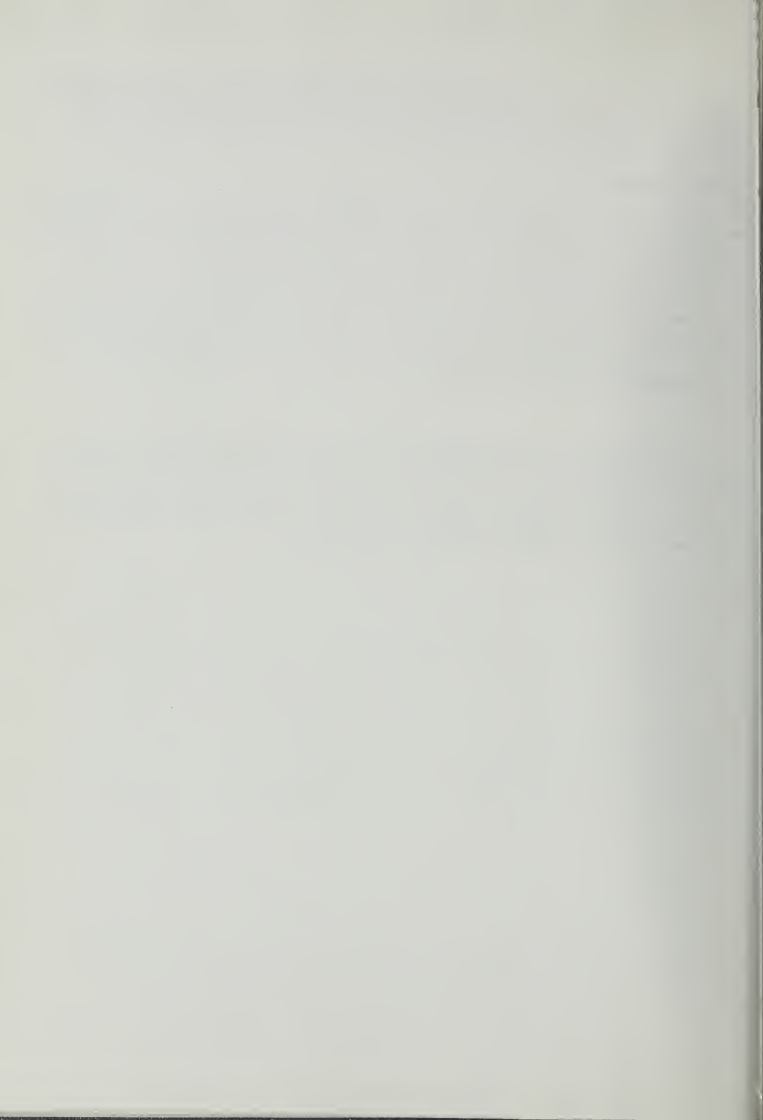
the Executive Director should appoint a senior staff member to serve as project director. He would have day-to-day responsibility for ensuring that the plan proceeds on schedule and that staff assistance is provided as needed.

McKinsey's Role

While this report represents the completion of our assignment, management has suggested that our further assistance will be required during implementation. In this regard, we believe we could act as a catalyst in effecting change by assisting in planning, scheduling, and monitoring the overall program. In addition, we could participate in planning and executing the details of each change by bringing to bear our experience with such tasks as preparing action programs and job descriptions. In summary, because of our commitment to realizing improvement, we are willing to play any role which management believes will contribute to the implementation program's success.

* * *

A reorganization of this magnitude, if successfully carried out, will have important implications not only for the San Francisco public utilities, but also for other City departments. It will demonstrate that major steps can be taken, within City Charter and Civil Service constraints, to attune City Government organizations more closely to today's requirements.



5 - UNRESOLVED ISSUES

The organizational recommendations presented in Chapter 3 are designed to establish a framework for effective* administration of the City's utilities complex. Thus, the first "order of business" should be to see that these changes are implemented.

This final chapter describes four unresolved issues which the public utilities will face even after adoption of the organizational framework. These issues came to our attention during the course of our work. Since they are outside the scope of our assignment, we have not studied them in depth, nor have we suggested definitive solutions to them. However, we are presenting them in this report because we believe they are major problems which the Commission and management must recognize and deal with in order to realize fully the opportunities for increased operating effectiveness.

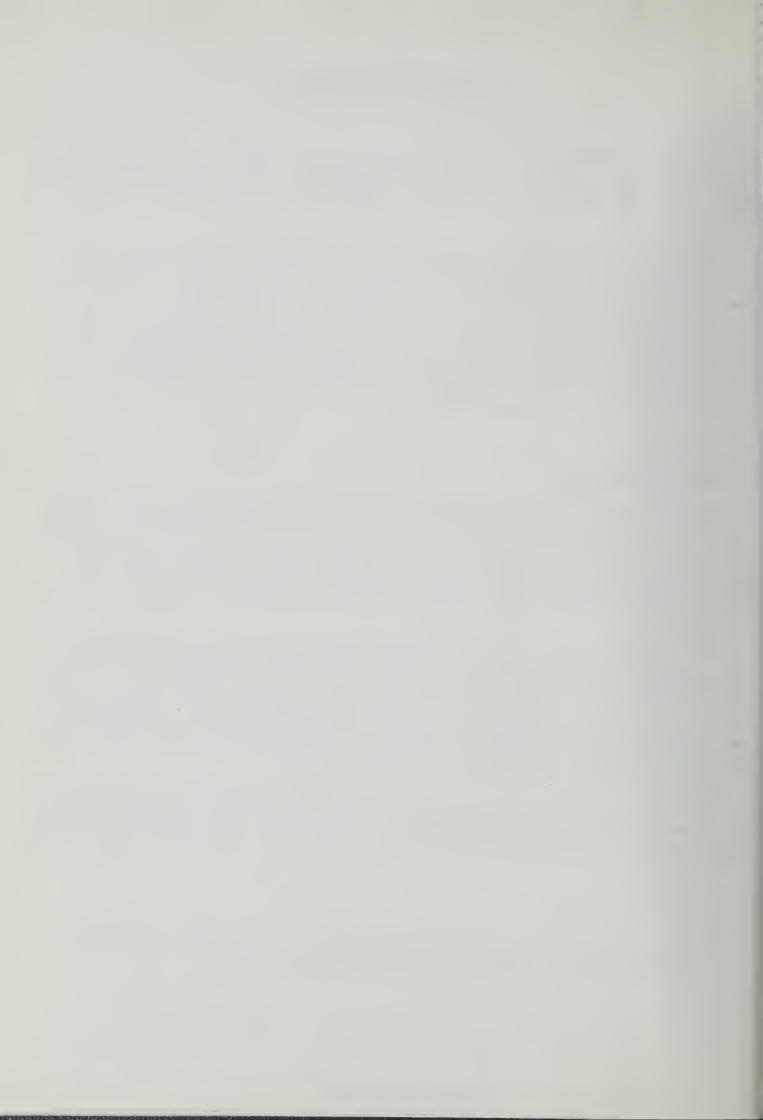
SHORTAGE OF CAPABLE MANAGERS

During the course of our study, we became increasingly concerned over the shortage of capable people in key and second line management positions. This concern was prompted not only by our exposure to personnel at many levels, but more importantly, by the widely shared opinion of senior managers that this problem is presently the most serious constraint to achieving more effective performance within the public utilities.

The shortage exists in the group of positions which constitute the top management team in the General Office and in each of the operating utilities. These are the 30 to 40 managers who set the tone of operations and have a major influence on overall performance. We found that this group has a limited number of executives with highly developed administrative skills, who are personally motivated and committed to achieving outstanding results.

Only seven* of those top positions can be filled by management appointment; the balance are staffed through Civil Service procedures. This inhibits top management from selecting key operating personnel who are responsive to their needs.

* - Two other positions - the Executive Director and the Secretary to the Commission - are filled by Commission appointment.



The limited number of appointive positions, the growing need for able administrators, and top management's lack of freedom in selecting and controlling the performance of its most important subordinates, have created the "management gap" - the critical shortage which exists today. And there is evidence that this problem is prevalent throughout City Government.

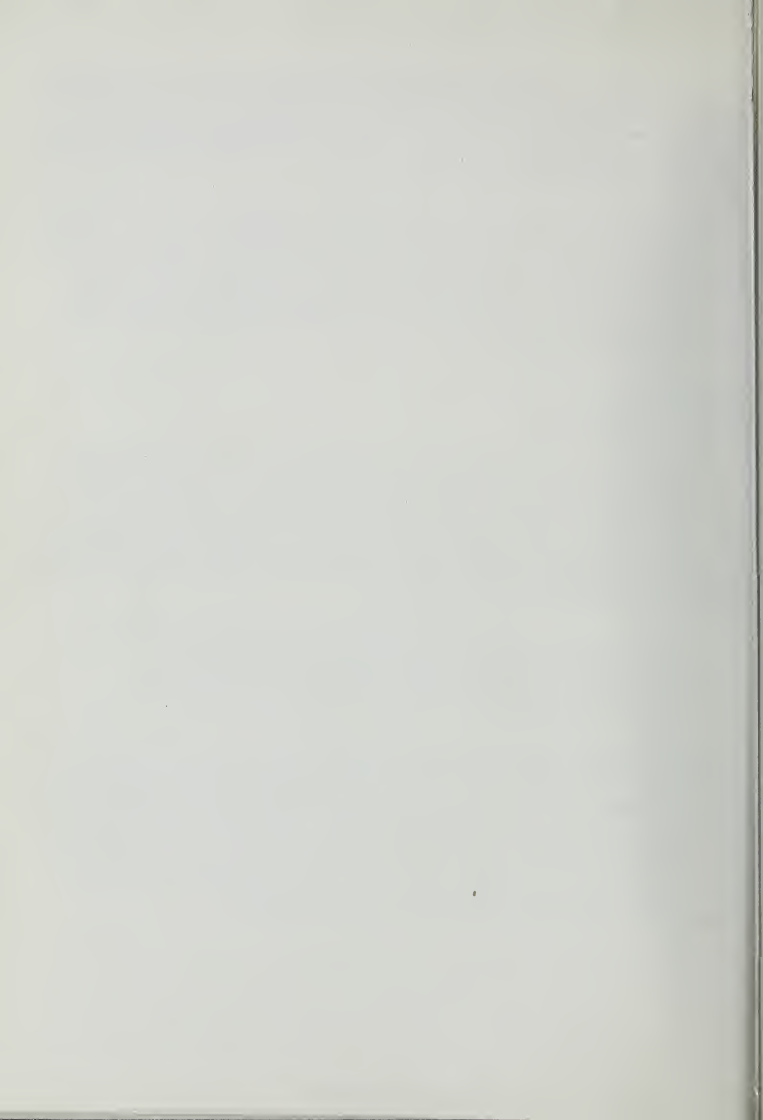
Our organizational recommendations contain suggestions for improving the quantity and quality of top management within the constraints of the City Charter by increasing the number of appointive positions from 7 to 10. However, we are convinced that much more can and should be done. Our experience in dealing with similar problems in both private industry and government indicates that successful approaches can be found to improve substantially the caliber of the City's management resources.

POTENTIALLY NEGATIVE INCENTIVES TO ECONOMIC OPERATIONS

Our review of the City Charter and our discussions of its relevant provisions with management and the City Attorney brought to our attention another unresolved issue which could inhibit efficient administration of the utilities. The City Charter provisions prescribing the use of surpluses which accrue within the accounts of the separate utilities create a potential negative incentive to realizing the highest possible "return" from the City's investment in facilities. Specifically, Charter Section 129 provides:

"If any accumulation in the surplus fund of any utility shall, in any fiscal year, exceed twenty-five percent of total expenditures of such utilities operations . . . such excess may be transferred by the Board of Supervisors to the general fund . . ."

In our judgment, this section could possibly result in actions which would not be in the City's best interest. For example, it might lead the utilities to spend surpluses on capital projects that have not been carefully evaluated rather than risk having them revert to the general fund. Similarly, when operations are resulting in surpluses, there might be little incentive to seek justified rate increases which would eventually produce additional surpluses for the general fund. Finally, there might be less incentive to seek reductions in operating costs because the savings would not accrue to the utilities.



We have made these observations without attempting to determine how this problem might be corrected. In all probability, pertinent Charter provisions would need to be modified or eliminated. But more importantly, positive incentives need to be added which would serve the same purpose as profit or return-on-investment measures in private industry. These would ensure that the City's funds are expended with a view to realizing the maximum benefits for constituents at the lowest possible cost.

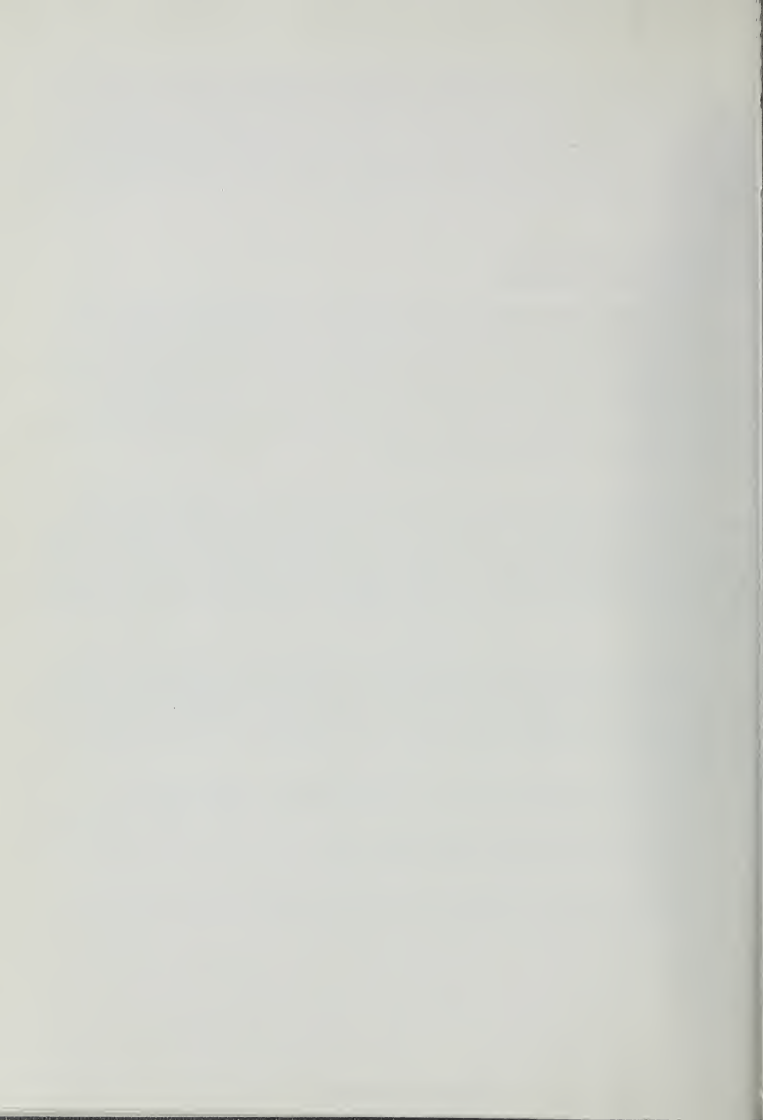
INADEQUATE TOOLS FOR EFFECTIVE MANAGEMENT

In all of the utilities there is a singular lack of administrative processes to: (1) guide the efforts of employees, (2) ensure that manpower and financial resources are allocated to the most important tasks, and (3) determine how well service requirements are met. Administrative processes which assist management in fulfilling these vital responsibilities are widely employed in private industry and are rapidly becoming a way of life in the Federal Government and in many state and local governments. These tools are commonly referred to as program budgeting and control techniques.

The utilities have only one formal administrative tool of this sort today, and it is sadly obsolete. This is the line item budget, discarded long ago by progressive organizations as ineffective in providing for operating planning and control. Its principal weakness is that it is account-oriented rather than "mission-" or objective-oriented. In other words, it does not focus on a manager's basic task - achieving outstanding performance in his assigned area of responsibility.

While the lack of administrative tools is a City-wide problem, the utilities need not wait for changes at the City level before introducing their own administrative processes. Each department could begin now to formulate its own simple "management-by-objective" program. The basic elements of such a program would include:

- 1 Setting operating objectives for key service requirements
- 2 Establishing specific yardsticks, financial and statistical, to measure performance against these objectives
- 3 Developing a simple reporting system which informs management of actual results as compared to objectives.



A relatively simple program of this type would enable management to exercise purposeful and effective leadership over the utilities. Subordinates would have a better understanding of what is expected of them, service performance could be measured and evaluated, and problems could be detected immediately. Finally, such a program would yield precise data on operating results which could serve as a base for improvement. In our judgment, well-developed planning and control processes are an essential part of an effective administrative system; they are, moreover, a necessary support for the recommended organizational framework.

REGIONAL ORGANIZATION OF UTILITIES SYSTEMS

There is a growing awareness that the fundamental service problems facing the utilities cannot be resolved satisfactorily without close coordination with similar or related agencies in the Greater Bay Area. The interests of all areas within the regional community must be balanced to create more efficient and economical service systems, because the cost of independent action is becoming too great.

A trend toward regionalization of utilities systems is clearly in evidence today. Thus, it is entirely possible that at some time one or more of San Francisco's utilities will be incorporated into a broader based, regional organization. The Airport, for example, may some day be part of an integrated system under a regional airport agency, or the Muni a part of a regional transit system.

While this issue was beyond the scope of our study, we gave it careful consideration in developing our proposals. Insofar as our recommendations are directed toward providing stronger, more viable utilities, we believe they are supportive of and consistent with the needs of any future regional organization that may evolve. With a strengthened utilities organization, San Francisco will be able to assume a position of leadership in determining the appropriate role of its public utilities in the development of regional utilities systems.



FOCUSING COMMISSION EFFORTS ON POLICY LEADERSHIP

The Public Utilities Commission, like the board of directors of a private business, is fundamentally responsible for charting the course of the enterprise. It does so not by becoming involved in administrative affairs, but rather by providing policy leadership and committing the resources - manpower, money, and facilities - to support these policies. We believe that the Commission can play a more positive policy leadership role than it does today by:

1. Clearly defining its policy-making responsibilities
2. Improving its awareness of major problems and opportunities in each utility
3. Reducing the time it devotes to operating details.

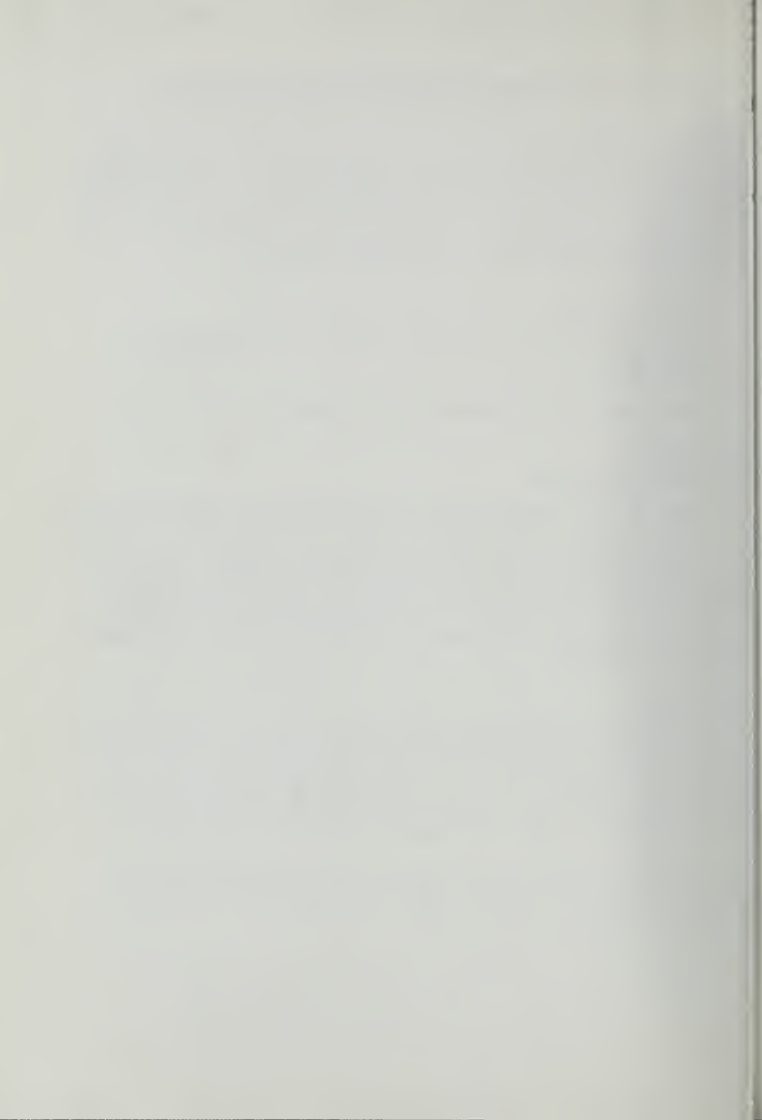
DEFINE POLICY- MAKING RESPONSIBILITIES

The major barrier to improved policy leadership by the Commission has been the absence of any clear statement concerning what should be considered "policy" matters. The Commission's policy-making role is acknowledged, but there is no common understanding or agreement as to what "policy" includes. Therefore, before the Commission can provide more positive direction for the utilities, it must define its policy responsibilities by (1) specifying the areas for which it will formulate directives, and (2) spelling out the kinds of issues which should be brought to its attention.

Policy Areas

It is difficult, and probably inappropriate, for our Firm to recommend precisely those matters which the Commission should consider in the future. Some of these will be determined by the City Charter, and others by the desires of the Commission. However, we strongly recommend that the Commission try to limit itself to broad, nonoperating problems - primarily those which will have a major influence on future development of the utilities enterprises.

Although this principle is general at best, it is distinguishable from the present practice because it excludes routine operating matters and emphasizes the long-term development of the utilities.



Kinds of Issues

The Commission can begin to formulate its policy responsibilities by categorizing the utilities' activities into spheres of interest such as planning, personnel, and finance. For each category, it should develop specific guidelines or criteria to govern which matters within that category should be brought to its attention for review or approval. For example, within the planning category, the Commission might desire to participate in formulating major long-range plans for meeting service requirements, while leaving the formulation of specific, short-range plans - perhaps those of 3 years or less - to operating management.

While the development of these responsibility guidelines will necessarily take place over a period of time, even their initial formulation will represent an improvement over the present situation, in which there are almost no guidelines. The guidelines which are developed should be written, to facilitate common understanding of the Commission's responsibilities by all management levels. The staff work involved in putting together what might be termed a "policy manual" could be appropriately assigned to the Secretary to the Commission.

MAINTAIN AWARENESS OF MAJOR PROBLEMS AND OPPORTUNITIES

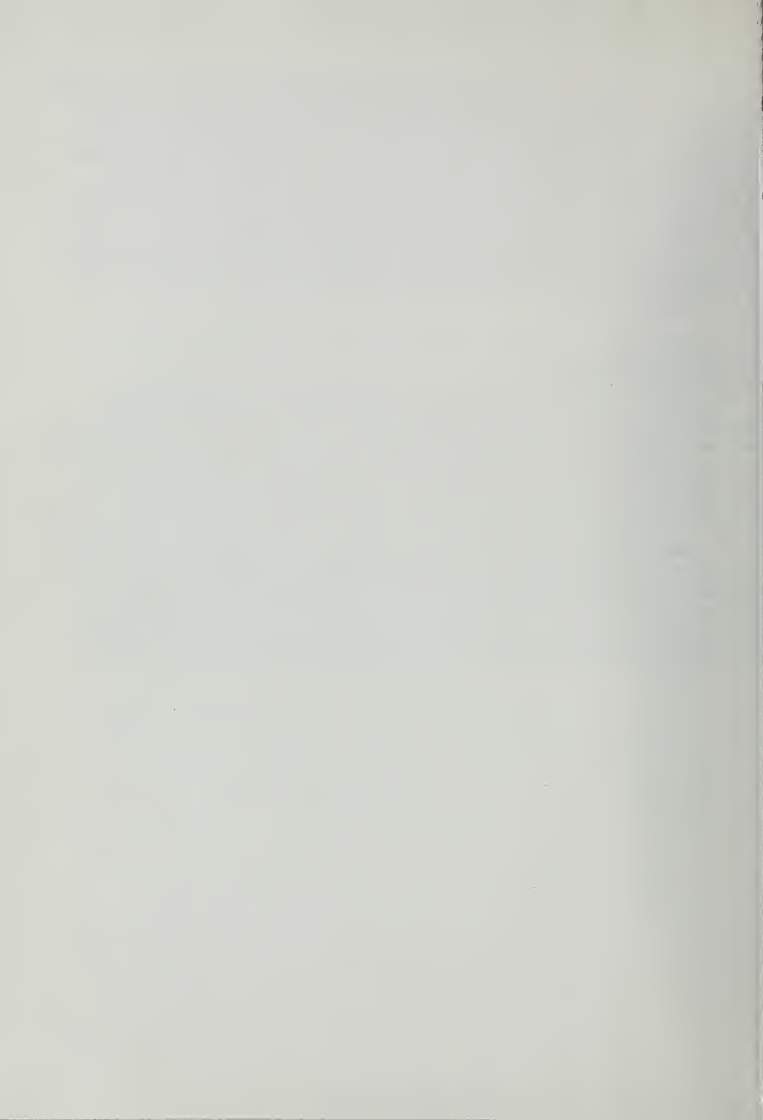
The formulation of policy, of course, requires a working familiarity with the activities to be directed. Therefore, new Commissioners should receive immediate and comprehensive briefings on the state of affairs in each utility, as well as on major projects and policies currently in force. The Commission might even consider a formal education program for new members which would include: (1) an explanation of responsibilities and duties, (2) an opportunity to examine current plans and budgets, (3) a tour of the public utilities facilities, (4) background briefings by the Commission Chairman, the Executive Director, and other key staff members, and (5) an "information package" including such documents as copies of relevant charter provisions, organization charts, annual financial reports, and current special study reports of significance. While some of these are now provided to new Commissioners, others are not. The formal program would help new members to make a positive contribution earlier and give them a clearer understanding of their roles in relation to that of permanent utilities management. If adopted, the details of such a program should be developed by the Commission Chairman in cooperation with the Executive Director, so that they are both assured that it is comprehensive without requiring too much time and effort of operating management.



The Commission can best maintain a continuing understanding of major utility problems and opportunities through periodic briefings from key staff members. At the present time, almost all Commission meetings are devoted to business details and matters requiring immediate decision; there is no procedure for providing the Commission with a broad survey of utilities affairs on a regular basis. We therefore recommend that the Commission set aside perhaps two to four meetings annually for sessions with top utilities management on nonbusiness matters. This will assist the Commission in focusing on those major issues for which its assistance and guidance are most needed. It will also relieve the burden on management of having to bring individual Commissioners up to date on a fragmented irregular basis.

REDUCE THE TIME DEVOTED TO DETAILS

We have documented the kinds of items which have been included in the Commission's business calendar during the past year. A chart classifying these items and estimating the meeting time devoted to each is attached to this appendix. We are convinced that many of the items shown are routine operating details which do not merit the Commission's attention. We reviewed the chart with the City Attorney's office and obtained preliminary agreement that a number of these matters can be eliminated from the Commission's agenda if it develops appropriate guidelines for their execution by operating management. We therefore recommend that the Commission confer with the City Attorney to determine which matters can be delegated to operating management for action and, where desirable, implement these changes through policy directives. The result can be the elimination of approximately 40 percent of the regular business now conducted by the Commission. The time made available can be devoted to fundamental policy matters.



COMPENSATION GUIDELINES
FOR NEW GENERAL OFFICE POSITIONS

We have recommended five new positions in the public utilities General Office. These are keystone positions which will make possible a new order of administrative effectiveness. Because of their vital importance, they should be filled by persons with outstanding qualifications and demonstrated abilities.

The Commission should be prepared to offer reasonably competitive salaries in order to attract the caliber of personnel required for these positions. To assist the Commission in determining appropriate salary levels, we conducted a limited survey of compensation for roughly comparable positions in both government and private industry. To determine competitive salaries within government we obtained pertinent compensation data from municipal governments of major cities, regional authorities, and state and Federal Government agencies. For private industry figures, we reviewed readily available compensation data - principally American Management Association surveys and our own research files. In addition, we contacted a number of technical consulting firms to obtain informed opinions concerning salary requirements for recommended positions in their area of specialty.

It should be emphasized that our survey was not intended to be comprehensive, but rather to establish the broad compensation ranges necessary to attract the caliber of personnel required. This appendix briefly describes each new position, its estimated salary requirement, and the basis for our estimate.

DEPUTY EXECUTIVE DIRECTOR,
UTILITIES OPERATIONS BUREAU

Basic Responsibility

Provides central direction and coordination of the three operating utilities; acts in the capacity of chief executive officer of the utilities in the Executive Director's absence.

Salary Requirement: \$35,000 to \$40,000

In the surveyed government-owned public utilities of roughly comparable size, the second-in-command received a salary ranging from \$28,000 to \$42,000 per year. Privately owned utilities of comparable size pay their second-ranked executive considerably more; American Management Association survey findings indicate that these executives received compensation averaging \$52,000 in 1967.



DIRECTOR, RESEARCH & PLANNING BUREAUBasic Responsibility

Introduces and coordinates planning and development programs throughout the utilities; ensures that these programs lead to farsighted solutions to changing service requirements.

Salary Requirement: \$30,000 to \$35,000

The top planning and development executive in major public agencies surveyed received annual compensation ranging from \$25,000 to over \$40,000. In private industry, companies of comparable size pay their senior planning executives an average of \$42,000 per year.

DIRECTOR, TRANSPORTATION BUREAUBasic Responsibility

Brings outstanding expertise to fundamental transportation issues facing San Francisco, particularly those of mass transit planning and development.

Salary Requirement: \$30,000 to \$35,000

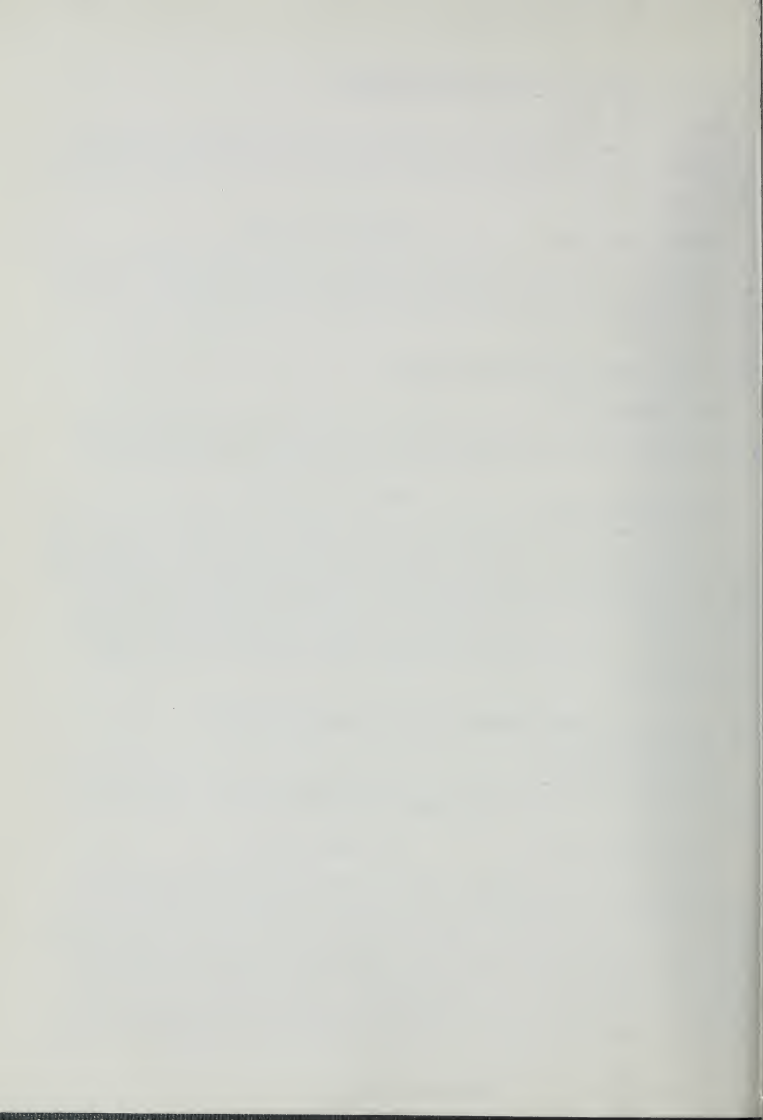
We found very few positions in government with responsibilities comparable in scope and importance. However, of those we did survey, top executives with transit planning and development responsibilities received salaries ranging from \$25,000 to approximately \$40,000 per year. To acquire broad perspective on salary requirements for this position, we contacted a leading transportation consulting firm. We were informed that a salary of at least \$30,000 would be necessary to obtain an individual with outstanding competence in this highly specialized field.

DIRECTOR, UTILITIES PROPERTY MANAGEMENT BUREAUBasic Responsibility

Determines the best use of some 50,000 acres of prime utilities property, principally in the Bay Area, and manages its development.

Salary Requirement: \$30,000 to \$35,000

In public agencies surveyed, positions with major property development and management responsibilities receive salaries ranging from approximately \$20,000 to \$45,000 per year. Top real estate executives in private firms with revenues comparable to those of San Francisco's public utilities receive compensation in the \$30,000 to \$35,000 range, while larger firms pay considerably more. In discussions with several companies specializing in land economics and development work, we were informed that highly qualified, experienced individuals could not be obtained for less than approximately \$30,000 per year.



ADMINISTRATIVE ASSISTANT TO
THE EXECUTIVE DIRECTOR

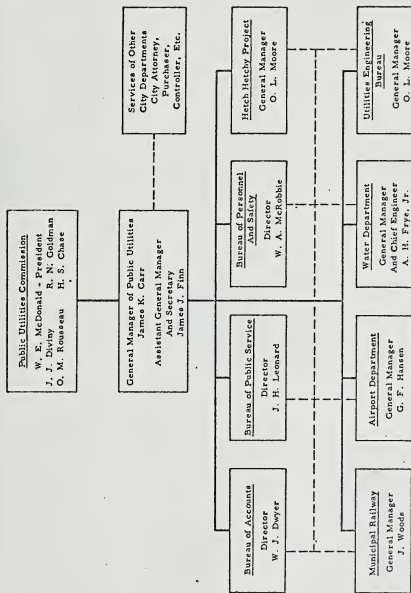
Basic Responsibility

Manages the administrative affairs of the Executive Director's Office.

Salary Requirement: \$12,000 to \$15,000

There is a wide divergence in salaries paid to administrative assistants to chief executives in government agencies surveyed. This is largely due to their differing scope of responsibilities. However, salaries identified clustered in the \$10,000 to \$15,000 range. There is a similar disparity in salaries paid for this position in private industry. We believe that this particular position should be filled by a young man of high potential, preferably with a graduate degree in public administration, business, or law. The "market rate" for someone meeting these qualifications is \$12,000 to \$15,000.



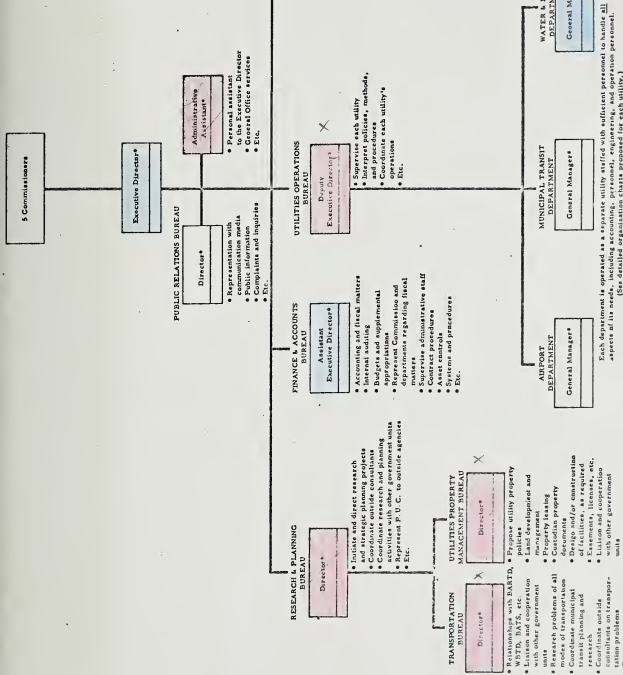


Note: Utilities Engineering Bureau provides engineering services for all public utilities departments except the Water Department.

— Line Control
--- Staff
--- Coordination

June 1968

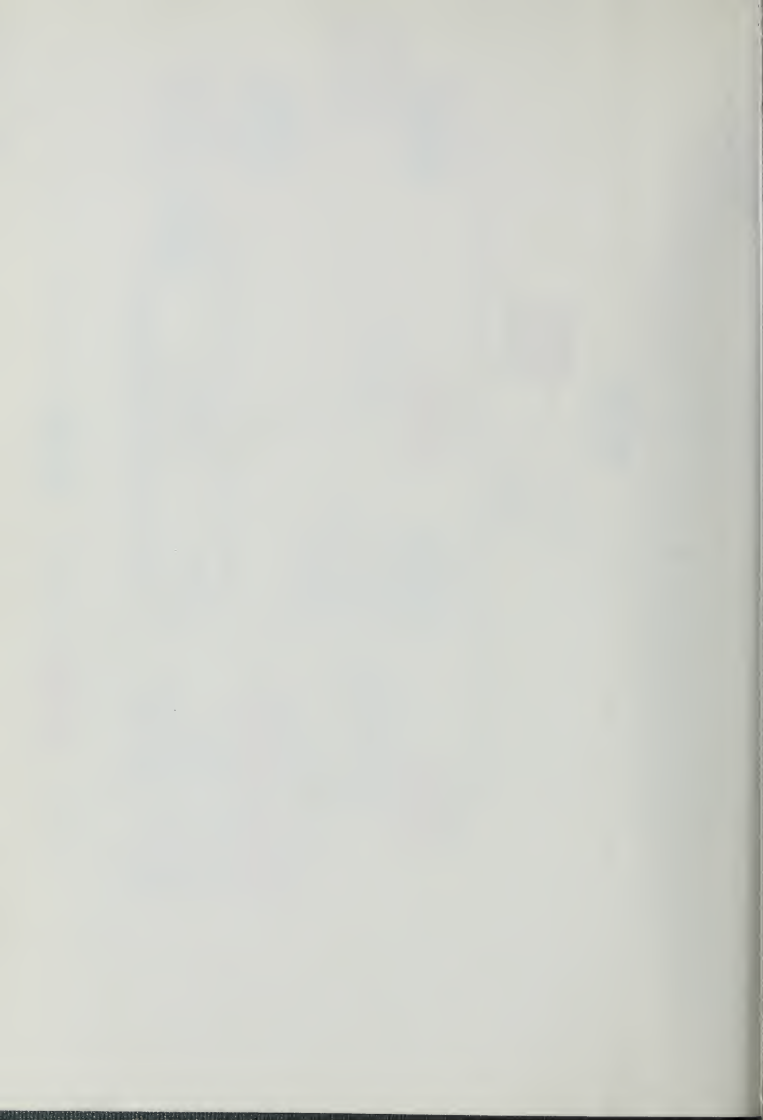




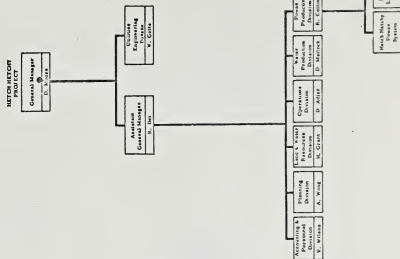
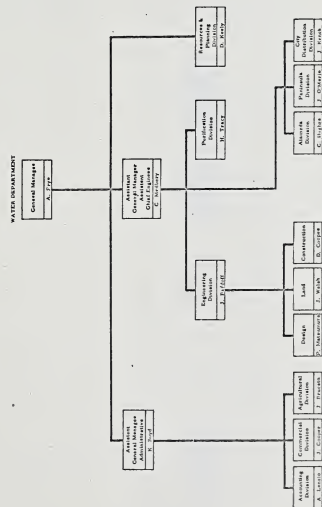
* Appointive position.

New Management Position

Changed Management Position



PRESIDENT ORGANIZATION
WATER DEPARTMENT AND
WILSON NEWCOM PROJECT

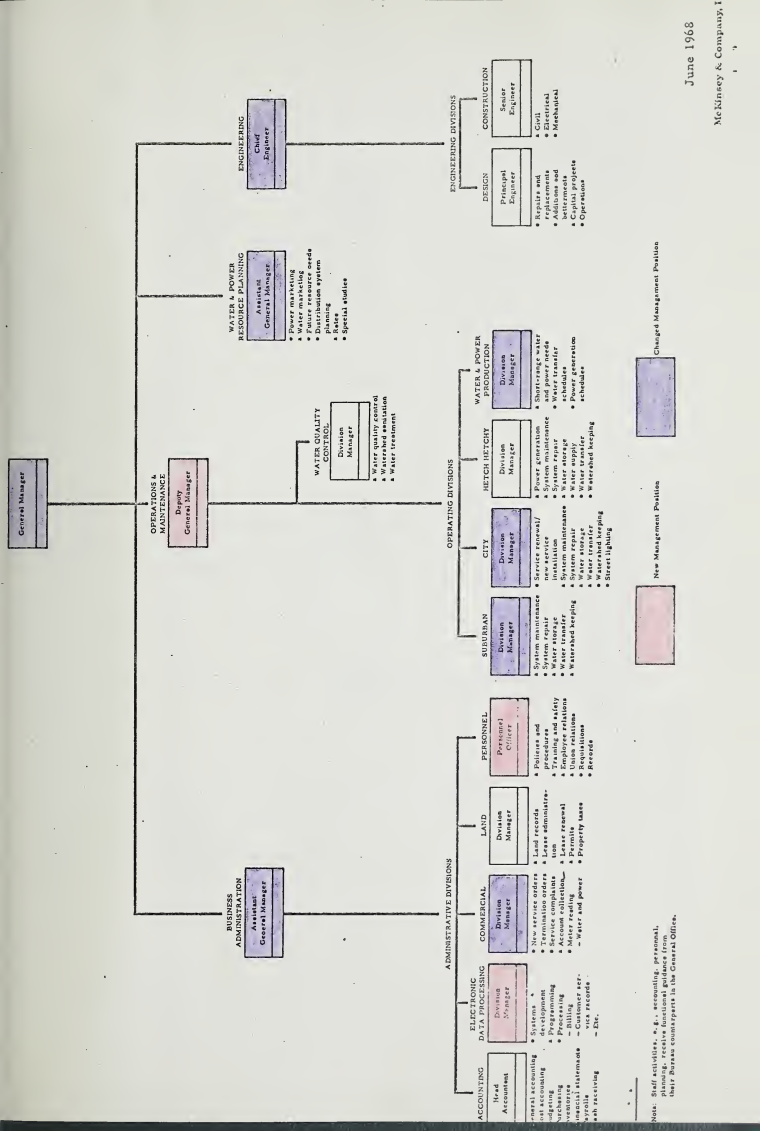


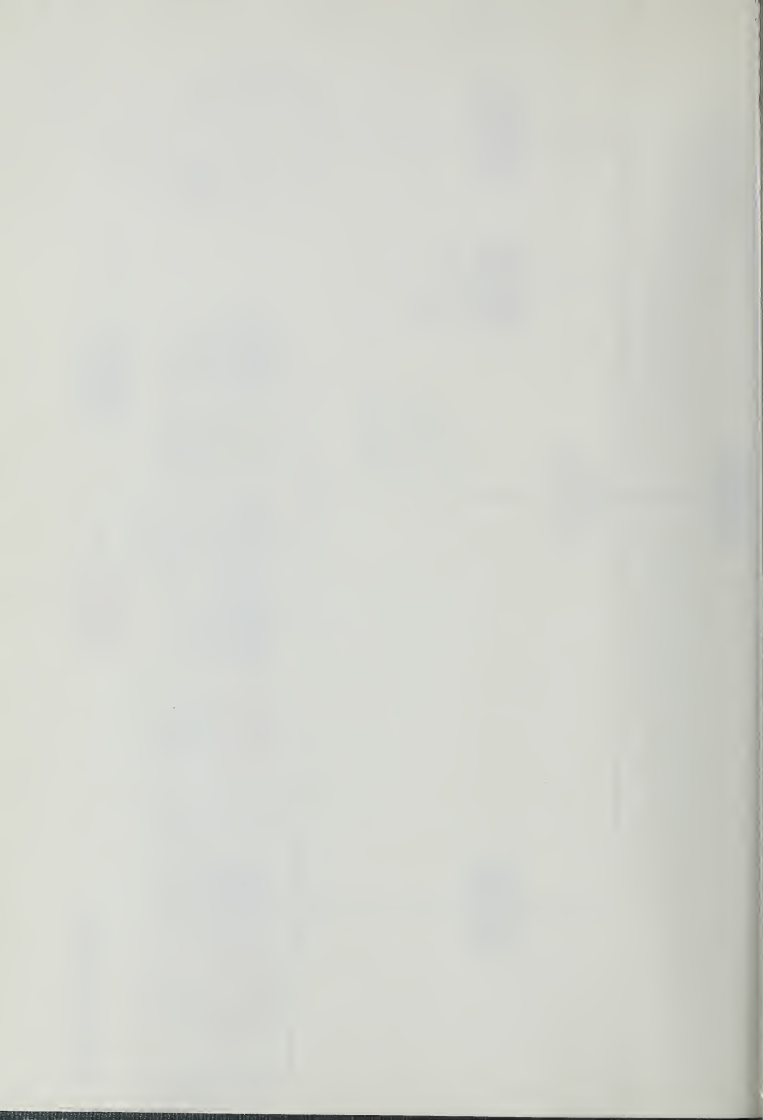
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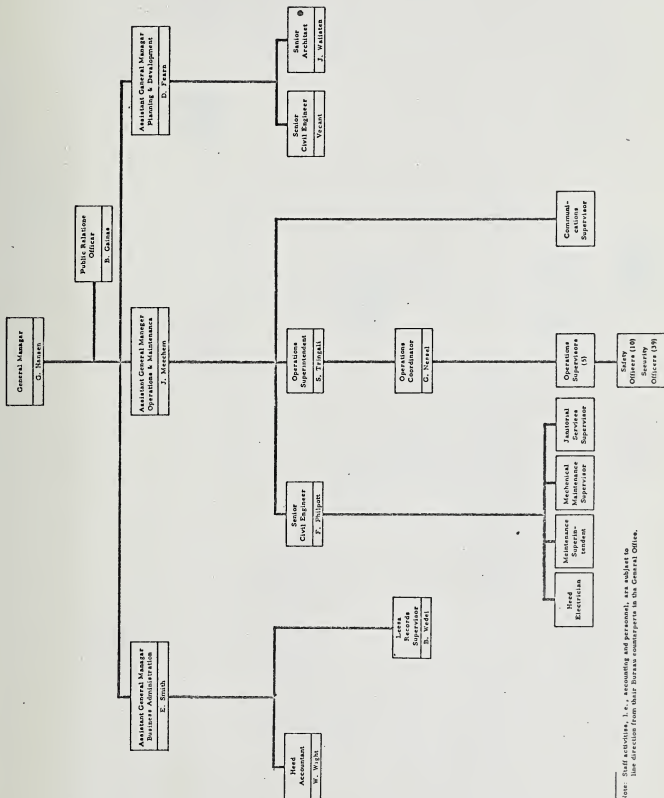
June 1968

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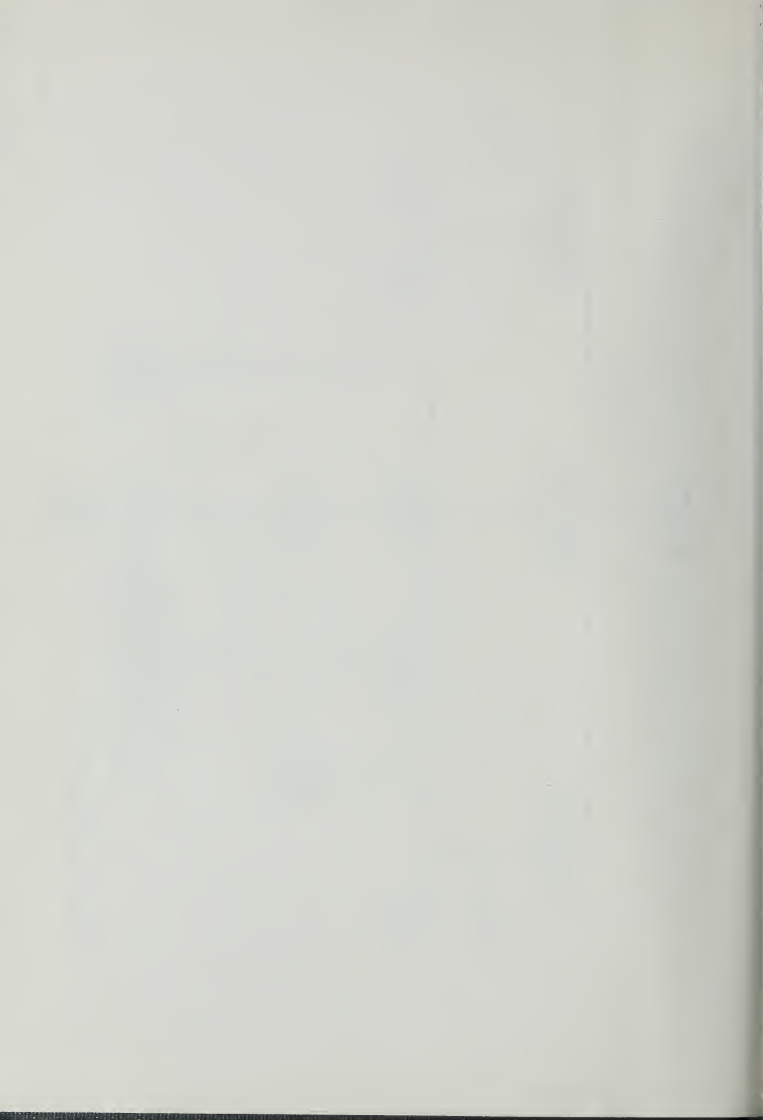


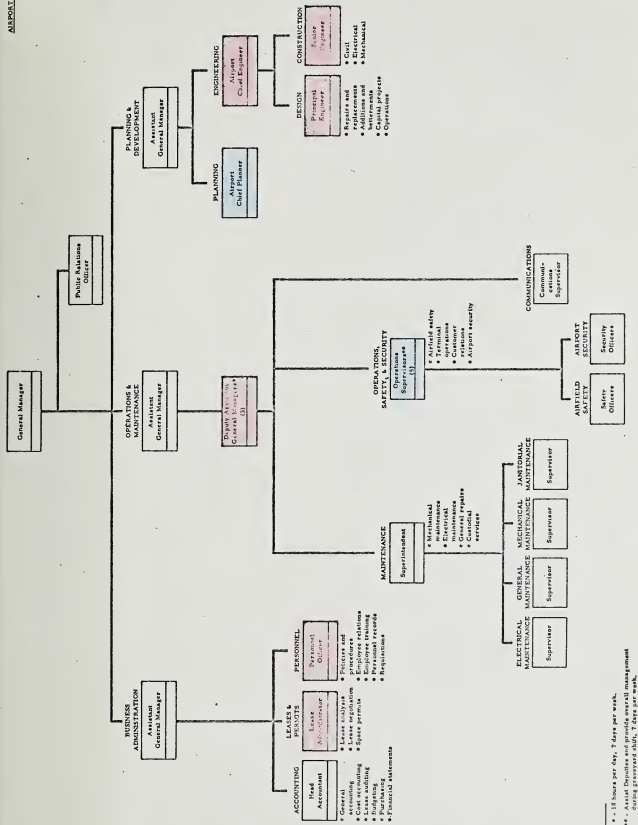




Note: Staff activities, i. e., accounting and personnel, are subject to line direction from their Bureau counterparts in the General Office.

McKinsey & Company, Inc.





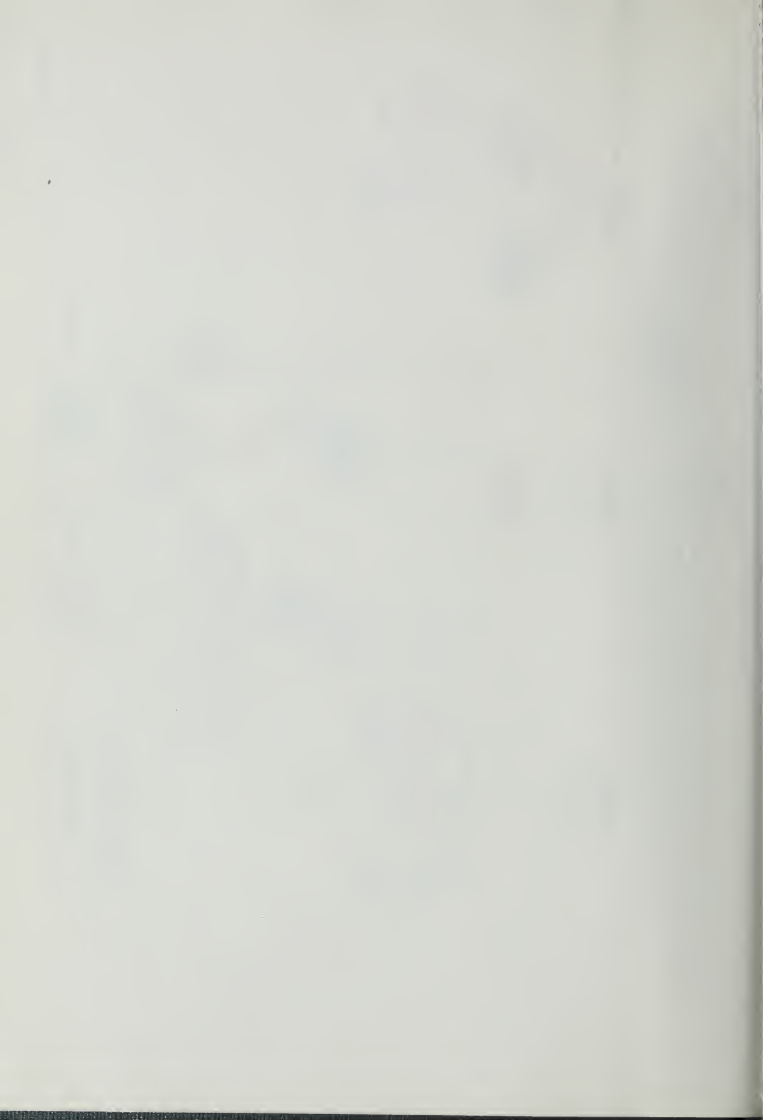
* - 15 hours per day, 7 days per week.
** - 10 hours per day, 7 days per week.

Note: Staff positions, e.g., accounting, personnel, planning, receive functional management from Bureau headquarters in the General Office.

New Management Position

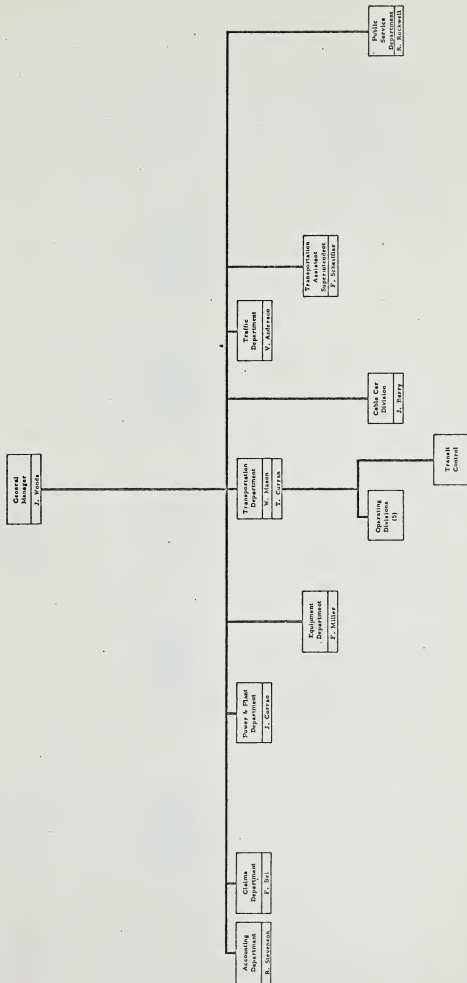
Changed Management Position

June 1968



PRESENT ORGANIZATION

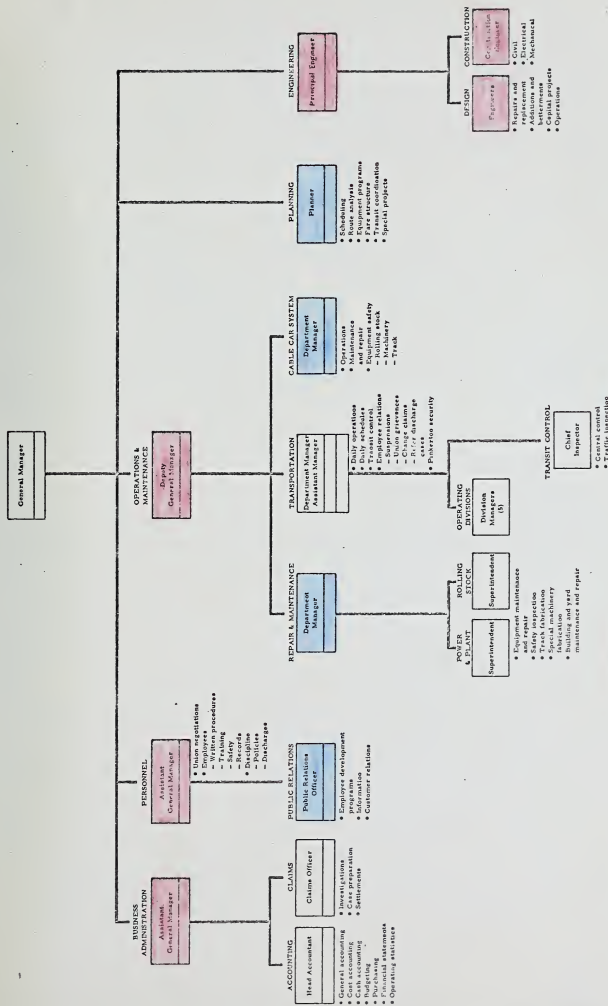
MUNICIPAL RAILWAY DEPARTMENT



Note: Staff activities, i.e., accounting and personnel, are subject to the direction from their source counterparts in the General Office.

June 1968



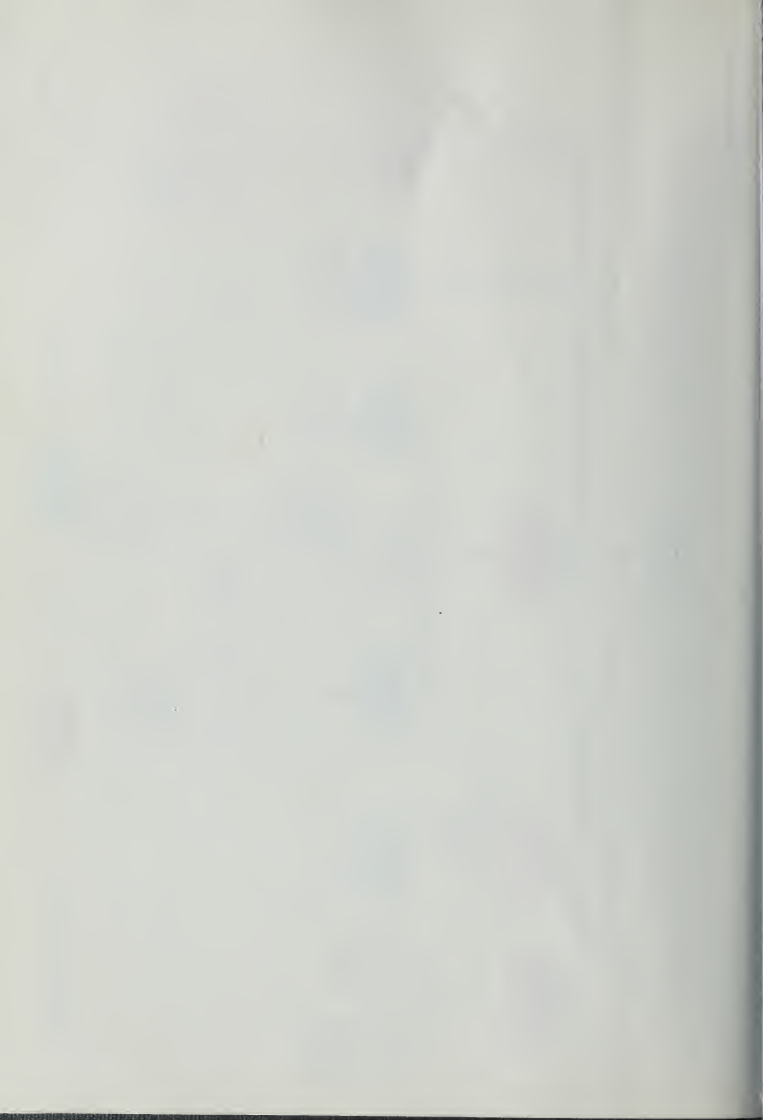


Note: Staff activities, e.g., accounting, personnel, planning, review functional guidelines from their Bureau counterparts in the General Office.

New Management Positions

Changed Management Positions

June 1968







REPORT SUPPLEMENT

ORGANIZATIONAL RECOMMENDATIONS FOR
THE PUBLIC UTILITIES OPERATING DEPARTMENTS

CITY AND COUNTY OF SAN FRANCISCO

June 1968

McKinsey & Company, Inc.

Management Consultants







REPORT SUPPLEMENT

ORGANIZATIONAL RECOMMENDATIONS FOR

THE PUBLIC UTILITIES OPERATING DEPARTMENTS

CITY AND COUNTY OF SAN FRANCISCO

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- I - Present Organization - Water Department and Hetch Hetchy Project
- II - Proposed Organization - Water & Power Department
- III - Present Organization - Airport Department
- IV - Proposed Organization - Airport Department
- V - Present Organization - Municipal Railway Department
- VI - Proposed Organization - Municipal Transit Department

* - Pull-out exhibits. For convenience, these exhibits may be pulled out and read with related pages of the text.



REPORT SUPPLEMENT

ORGANIZATIONAL RECOMMENDATIONS FOR
THE PUBLIC UTILITIES OPERATING DEPARTMENTS

INTRODUCTION

This supplement to our report, Vitalizing Management in the Public Utilities, is intended to provide a detailed discussion of the recommended organizational changes at the utilities operating department level. Separate sections are devoted to the Water & Power Department, the Airport Department, and the Municipal Transit Department.

All of our recommendations have been reviewed in detail with senior management. In fact, management has contributed substantially to their development. Thus, the recommendations have the understanding and support of those who will be responsible for effecting change.

This supplement should be used as a reference document to assist management in carrying out the implementation task ahead. This task includes:

1. Planning organizational moves in detail
2. Documenting all new and changed position responsibilities
3. Processing funding and classification requests
4. Recruiting required personnel

Our recommendations have been favorably received by all with whom we have talked - operating management, Commission members, and other City Government officials. They share our opinion that, if successfully implemented, the recommended changes can bring dramatic improvement in administration effectiveness.



WATER & POWER DEPARTMENT

We have recommended that this new department be created by merging the Water Department and the Hetch Hetchy Project. This recommendation is designed to establish a framework which makes possible more effective management and development of the City's integrated water and power system. It should result in a stronger, more cohesive organization than exists under the present arrangement - one that improves the allocation of management resources and facilitates coordination of related activities.

The present organizations of the Water Department and the Hetch Hetchy Project are illustrated in Exhibit I, and the structure of the proposed Water & Power Department is shown in Exhibit II. The details of the merger are discussed below under headings which correspond to the four major responsibility segments which will report directly to the General Manager of the new department.

BUSINESS ADMINISTRATION

A number of the staff services of the proposed Water & Power Department - essentially those which are fiscal or administrative in nature - are grouped together and supervised by the Assistant General Manager, Business Administration. These include the following services.

Accounting

This division will provide general accounting and financial services for the new department. Until recently, these services were performed by a combined Water Department-Hetch Hetchy staff; in fact, although a plan exists to establish separate accounting units for the two departments, it has not been fully implemented. Maintaining the single staff will eliminate the added expense budgeted for separate accounting divisions.

Electronic Data Processing (EDP)

This activity has been upgraded organizationally to recognize the potential of computer applications in the Water & Power Department and in other operating utilities as well. Current computer use is limited to routine accounting and billing tasks, and opportunities for high-payout applications in water and power production and distribution are virtually untapped. There are undoubtedly high-potential computer applications in the Muni and the Airport which also could be exploited. The new organizational status (EDP reports directly to the Assistant General Manager) should help in attracting the highly skilled personnel which this activity requires to capitalize on these opportunities.



Commercial

This division's role has been changed only slightly. It will continue to be responsible for processing service orders and performing meter reading and account collection for water customers. In addition, it will assume similar responsibilities for power customers now served by the Bureau of Light, Heat, & Power.

Land

This division, formerly the Water Department's Agricultural Division, will be concerned principally with administering existing leases and issuing use permits for Water & Power Department land. Unless specifically requested, it will not be involved in major property development programs. (These programs will be the responsibility of the Utilities Property Management Bureau.)

Personnel

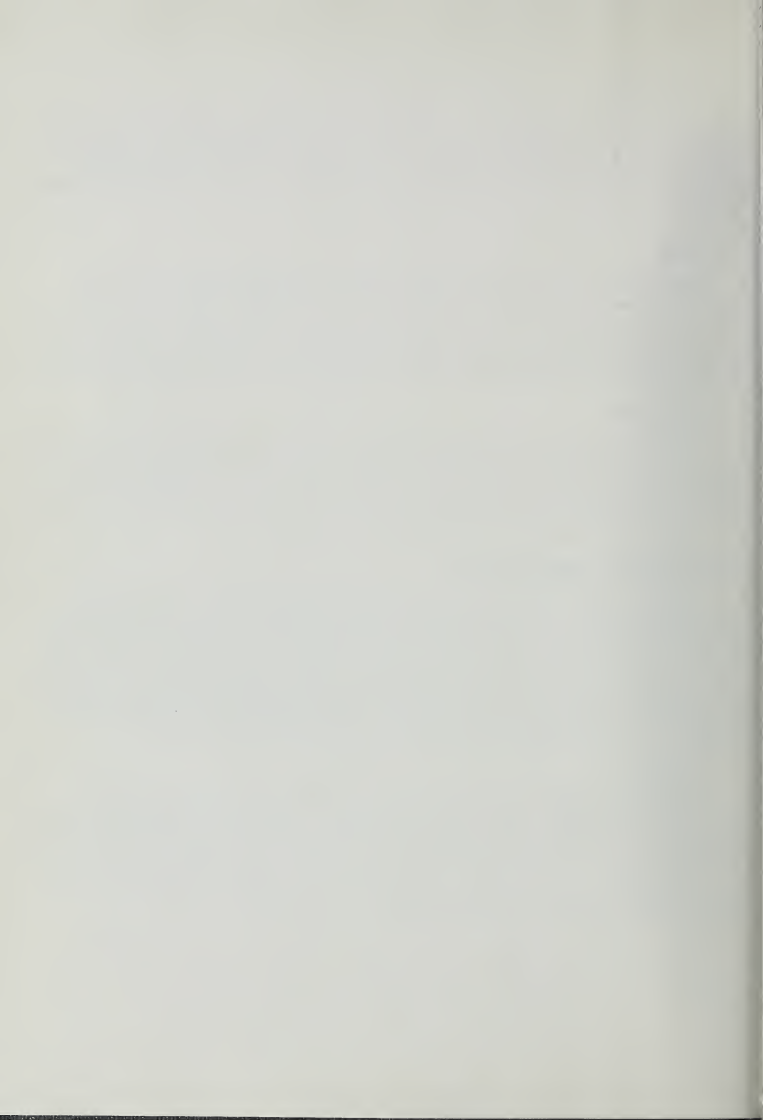
This division provides internal staffing for the personnel function. It will assume responsibility for the administration of personnel activities which were formerly performed for the separate organizations by the Personnel & Safety Bureau. In addition, this division will handle much of the personnel paper work which now must be dealt with by operating managers.

OPERATIONS & MAINTENANCE

Within the new organization, all of the operating divisions of the water and power system will be placed under the direction of a Deputy General Manager. He will supervise and coordinate the separate divisions on a day-to-day basis. Because of the size of the system, this will be an extremely demanding job - one which exceeds in total responsibility that of either the present General Manager of the Water Department or the General Manager of the Hetch Hetchy Project. The following divisions will be supervised by this deputy.

Suburban

This new division represents a consolidation of two existing divisions of the Water Department - Alameda and Peninsula. This will provide unified management of all Bay Area water storage and distribution facilities located outside the city proper. It has already been recognized that these activities must be coordinated by a single division, and the slight geographic separation of facilities no longer justifies separate divisions.



City

The role of this Water Department division is unchanged, with one exception: street-lighting maintenance, formerly an activity of the Bureau of Light, Heat, & Power, has been added to its responsibilities. The division will continue to be responsible primarily for operating and maintaining water storage and distribution facilities within the City.

Hetch Hetchy

This division was formerly the operating unit of the Hetch Hetchy Project. It is unchanged, except that it will now report to the Deputy General Manager, Water & Power Department.

Water and Power Production

This division, while not an operating unit, is grouped with the operating divisions to provide coordination in planning short-range water transfer and power generation. At the present time, these activities are segregated organizationally. Grouping them in a single Water and Power Production Division will facilitate optimum economic use of water resources.

Water Quality Control

This division is identical to the Water Department's Purification Division; only its name and reporting relationship have been changed.

WATER AND POWER RESOURCE PLANNING

Under the direction of an Assistant General Manager, this organizational unit will assume primary responsibility for planning long-term water and power production and distribution. Several divisions within the Water Department and the Hetch Hetchy Project organizations are now engaged in these activities on a part-time basis; grouping these related activities will ensure coordinated planning of water and power development.

This division will also direct planning efforts to ascertain possible new markets for power. The water and power system has significant potential for further development of power-generating capacity. This undeveloped potential represents a possible high-revenue source, and the principal barrier to realizing it is the absence of any ready market for the additional electricity which could be generated.



ENGINEERING

The proposed merger will result in consolidation of the large engineering staffs of the separate organizations. This can lead to important manpower savings, achieved by: (1) eliminating duplication of activities and (2) increasing the efficiency of engineering skills by devoting them entirely to the problems of the single operating system. In our opinion, it is conservative to estimate that at least 20 engineering positions (about 10 percent of the engineering force) can be eliminated by attrition over a relatively short period of time. This will result in annual payroll savings approximating \$250,000.



AIRPORT DEPARTMENT

Extremely rapid growth in air traffic - in both passenger and cargo volume - has greatly expanded the scope and complexity of Airport services. However, very few organizational changes have been made to adjust to this dramatically higher scale of activities. Consequently, the present Airport Department organization (see Exhibit III) does not have adequate management depth nor sufficient technical staff support to administer its vital activities with full effectiveness.

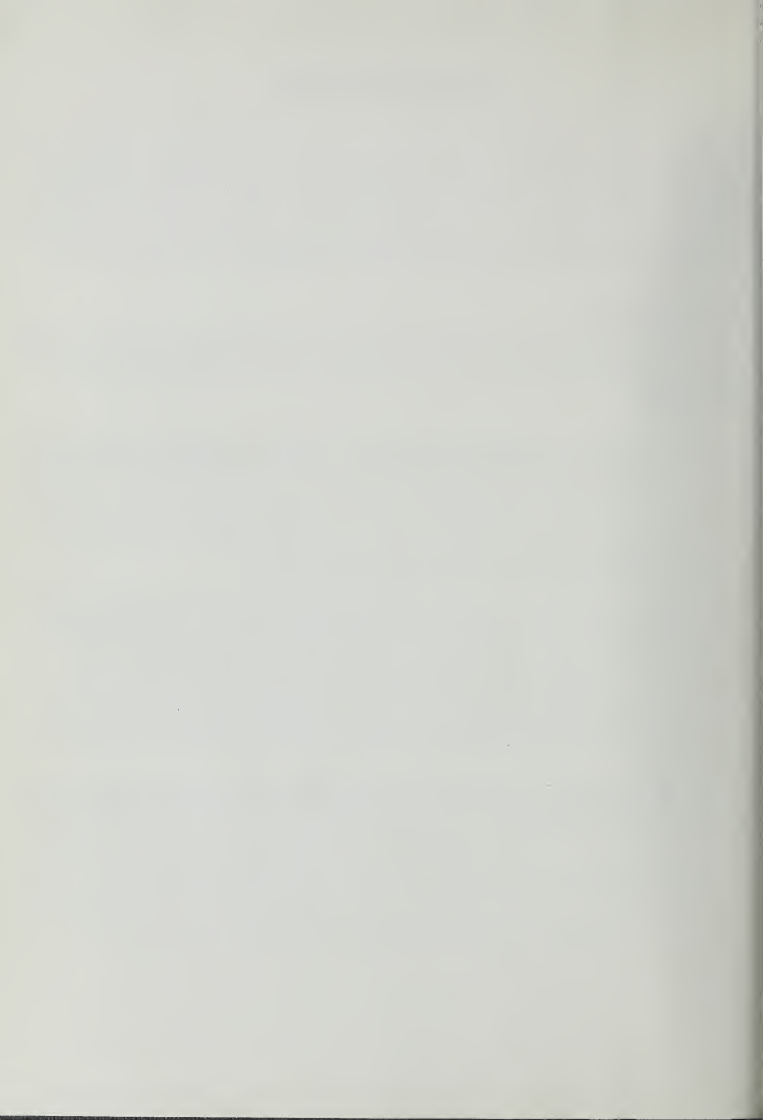
STUDY FINDINGS

Our study of the current Airport Department organization structure revealed three particularly acute problems. These are reviewed here briefly to give perspective to the organizational recommendations which are presented later in this section.

1. Top-level management direction of Airport operations is not provided during all periods of peak activity. Airport management must maintain a high standard of service around the clock every day of the week. Yet, today's organization can provide senior management supervision only during normal business hours, roughly 8:30 a. m. to 5:00 p. m., Monday through Friday. Thus, high-level management is present only about 22 percent of the time each week.

The balance of the time, Airport activities are supervised by personnel three organizational levels below the Assistant General Manager, Operations & Maintenance. This includes the peak activity hours - early morning and mid-evening on weekdays and Sunday evenings. In our judgment, Airport operations have reached a level of activity which requires direction by senior management at times other than business hours to ensure that high service standards are maintained and that prompt, decisive action is taken when emergencies arise.

2. Insufficient management attention is devoted to exploiting the Airport's revenue potential. The Airport complex has become a major city in itself, with a substantial economic base of commercial and industrial activity. Airport management is responsible not only for providing essential services for the complex, but also for ensuring that the City of San Francisco realizes a fair economic return from its investment. The Airport's revenue potential therefore must be carefully developed - consistent, of course, with its basic service mission.



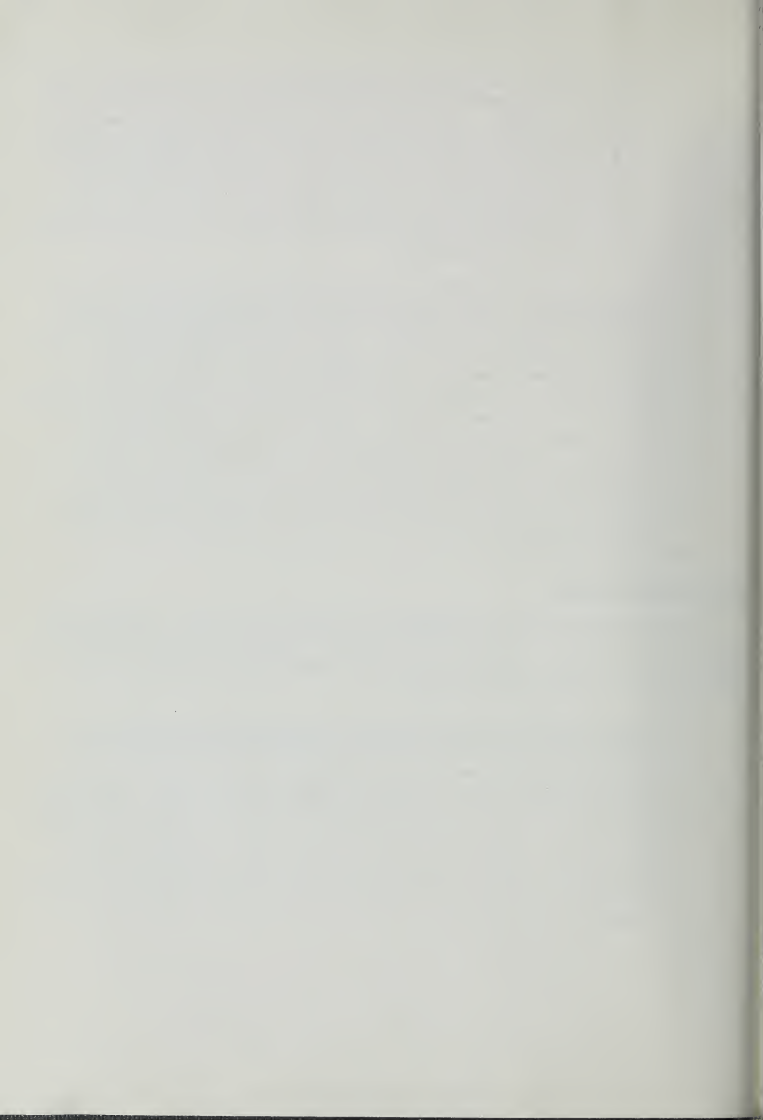
In our opinion, insufficient management expertise is devoted to this revenue development function, which is fundamental to the Airport's economic viability. The Airport General Manager and the Assistant General Manager, Business Administration, have primary responsibility for this task, but neither can devote exclusive attention to it because of their numerous other duties. With Airport revenues approaching \$20 million annually, management of this function requires outstanding technical competence which is not provided by the present Airport organization.

3. Essential staff activities are not responsive to Airport management requirements. Vital staff activities are neither directed nor controlled by Airport management. Personnel and engineering services must be requested from central utilities bureaus whose staffs are located in San Francisco. Accounting services, while performed at the Airport, are subject to direct control from the Finance & Accounts Bureau, also in San Francisco. Because it has little authority over these staffs, Airport management has not received the caliber of assistance which it needs for effective administration. In fact, as requirements for staff services have increased, management has been forced to devote an inordinate amount of time communicating these needs and coping with unsatisfactory performance which is beyond its control.

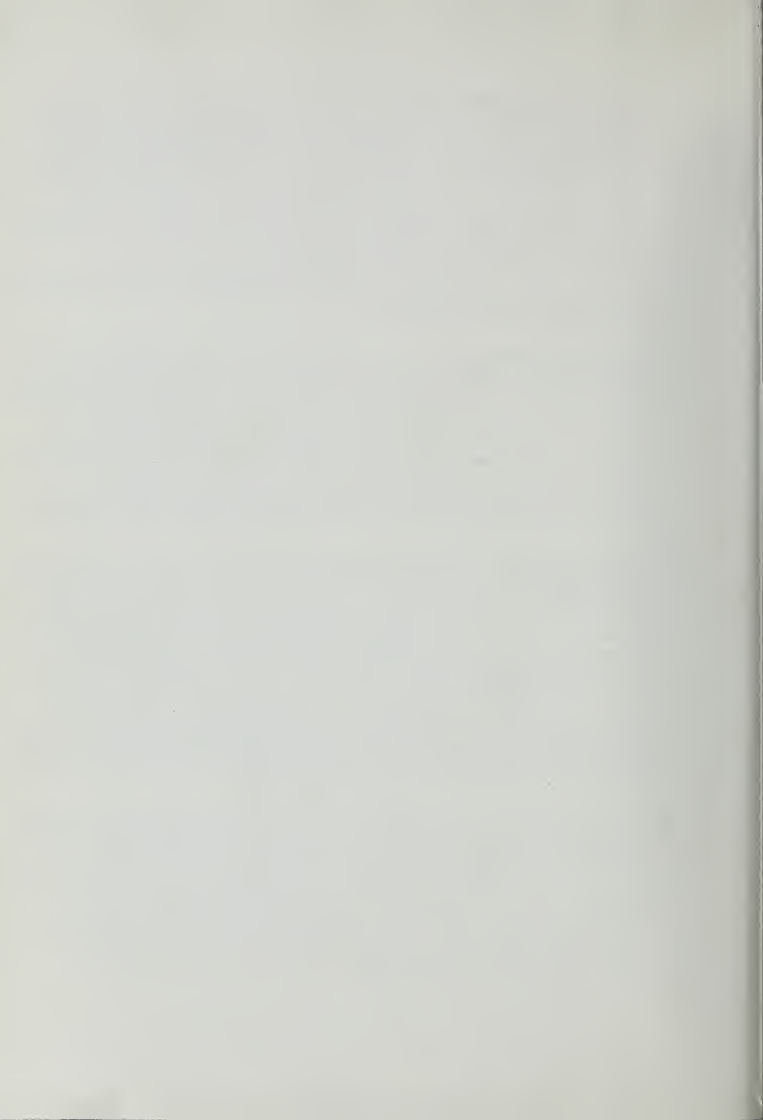
RECOMMENDATIONS

Our recommendations are designed to resolve these major organizational problems. Basically, they provide for greater management depth and more responsive staff assistance. The recommended organization structure is shown in Exhibit IV. It includes provision for:

- ¶ Deputy Assistant General Manager, Operations & Maintenance (3): These three new positions will provide high-level supervision of the operations and maintenance functions, 18 hours per day, 7 days a week, which covers all periods of peak airport traffic. One deputy will be on duty at all times during this period. During ordinary business hours, a deputy will aid the Assistant General Manager, Operations & Maintenance, in supervising operations. During off hours, the deputy on duty will direct all operations and maintenance activities and represent the General Manager of the Airport in dealing with any problems which arise.



- ¶ Lease Administrator: This new position is created to provide management with expert technical assistance in planning Airport revenue development. The Lease Administrator will be concerned with the financial implications of Airport property development and will work with the Planning & Development Department to ensure that opportunities for revenue generation are fully exploited. With respect to new leases for Airport facilities, he will be responsible for determining their fair value and designing appropriate contract terms. Finally, he will help general management to administer the 400 or so existing leases. In carrying out his responsibilities, he will be assisted by the lease records supervisor.
- ¶ Airport Chief Engineer: Our recommendations for creating and staffing a resident engineering section headed by an Airport Chief Engineer were presented to the Commission in an interim report dated March 29, 1968. The recommendations have been approved by the Commission and are being implemented. The engineering function should report to the Assistant General Manager, Planning & Development, while the major expansion program is in progress. Upon its completion, it may be appropriate to give the engineering function more independent status by having it report directly to the Airport General Manager.
- ¶ Head Accountant: The Head Accountant presently supervises the resident Airport accounting staff. We have recommended that this staff group report directly to Airport management rather than to the Finance & Accounts Bureau. This change in reporting relationship is designed to ensure that accounting activities are focused on and responsive to Airport management needs. We believe that the accounting staff can make a more positive contribution to management effectiveness than it has in the past. For example, by working closely with operating management, the accounting staff could develop an information reporting system which measures service performance and pinpoints service weaknesses which need management attention.
- ¶ Personnel Officer: This position has been created to direct personnel administration of the Airport Department's 280-man employee force. The Personnel Officer will assume the duties currently performed for Airport personnel by the Personnel & Safety Bureau. In addition, he will deal with many personnel matters that must now be handled by operating management. An important new responsibility will be personnel planning to ensure adequate staffing for greatly expanded operations over the next 5 years.



* * *

In our opinion, the recommended new positions represent the minimum requirements to establish a framework for effective administration of Airport activities. This framework will need further enlargement and strengthening in the future, to meet growth and changing conditions.



MUNICIPAL TRANSIT DEPARTMENT

The Muni organization is probably the most obsolete of the utilities departments. Operating and staff responsibilities are not well deployed, with the result that vital responsibility segments do not receive adequate direction. Thus, the present organization structure, illustrated in Exhibit V, seriously impedes effective administration because it does not provide the strong and cohesive leadership needed for both conducting current operations and meeting pressing new transit service requirements.

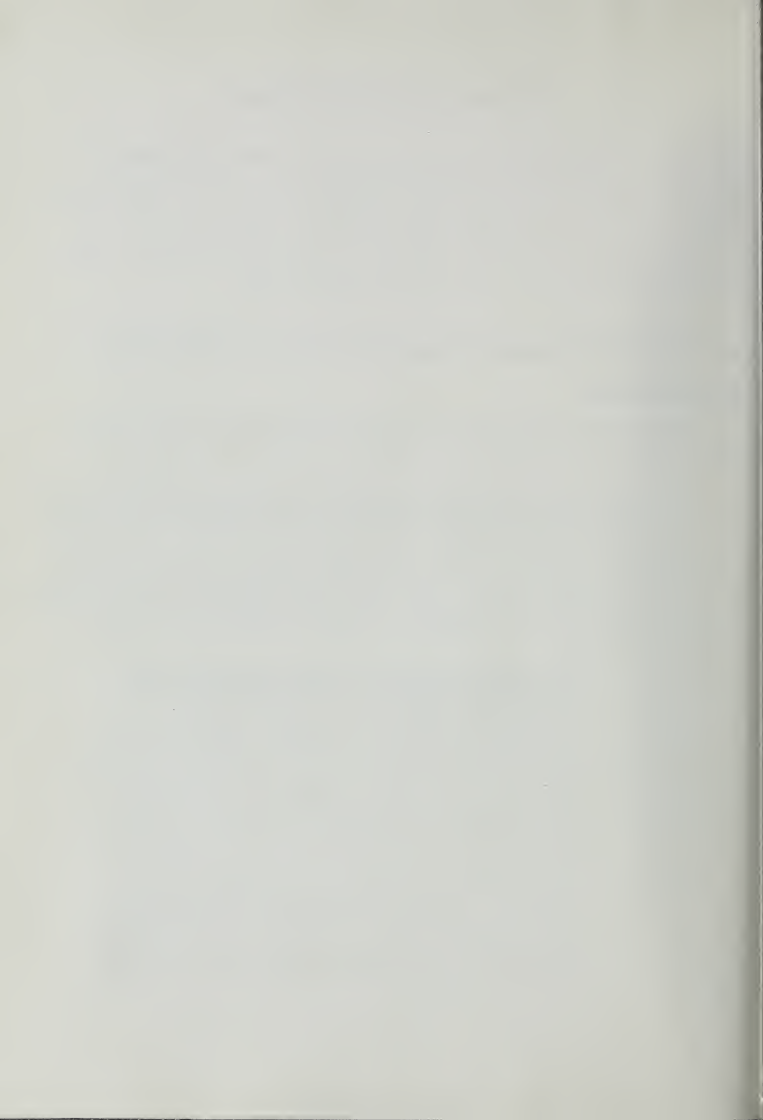
In the remainder of this section we describe the key organizational problems identified and recommend organizational changes to resolve them.

STUDY FINDINGS

The following broad weaknesses in the existing structure were the basis for the organizational changes subsequently recommended in this section.

1. The General Manager does not have top management assistance. He must supervise at least eight line and staff managers as well as conduct the general administrative affairs of his office. The demands on him are such that he cannot direct adequate attention to any of these activities. As a result, most of his time is spent on only the most urgent matters. Meanwhile, these fundamental problems which impair effective management of line and staff activities remain unresolved:

- Line activities - operations and maintenance - are not adequately coordinated. There are five organizational units which are concerned with either operating or maintenance activities. Each acts with considerable independence within a relatively undefined sphere of responsibility. Thus, the Transportation Department, the Traffic Department, and the Cable Car Division all participate in some aspect of operations; the Power & Plant Department, the Equipment Department, and the Cable Car Division carry out various, but often overlapping, maintenance responsibilities. The total responsibility for directing and coordinating all of these activities falls on the General Manager. But because he is unable to devote the necessary time to it, the task simply does not get done.



- Key staff activities lack responsive leadership. There is no senior management to give direction to vital staff services. The existing Accounting Department, although relatively large, performs essentially bookkeeping duties and devotes its efforts almost entirely to carrying out reporting procedures which were prescribed many years ago. Because its communications are primarily with the central Finance & Accounts Bureau to which it is responsible, it does not play an important role in providing management with the information it needs to identify problems, make decisions, or control results. The personnel function also lacks adequate management direction.

Muni is by far the largest employer among the utilities, and the conduct of its employees is a major factor determining the quality of its services; the 1,800 operators are in daily contact with the general public and have direct responsibility for the safety and welfare of Muni passengers. Yet responsibility for personnel administration is fragmented among operating managers and the central Personnel & Safety Bureau; no one is directly responsible to the General Manager for dealing with the Muni's pressing personnel matters.

2. There has been insufficient provision for vital support services. As already discussed, there is a critical need for highly qualified leadership of two staff activities - finance and personnel administration. In addition, there has been no recognition of the urgent need for responsive engineering and planning staffs.

- Engineering services have been available only through the central Utilities Engineering Bureau, and Muni's problems have generally received relatively low priority. As a result, Muni has been budgeting substantial sums for engineering but has had no control over the performance of engineering work; most of its engineering projects are delayed many months.
- Some planning activities - such as scheduling, route analysis, and liaison with BARTD - are being performed, but with little coordination or direction. And there is no capability for dealing with other important planning problems, such as fare structures and equipment programs.



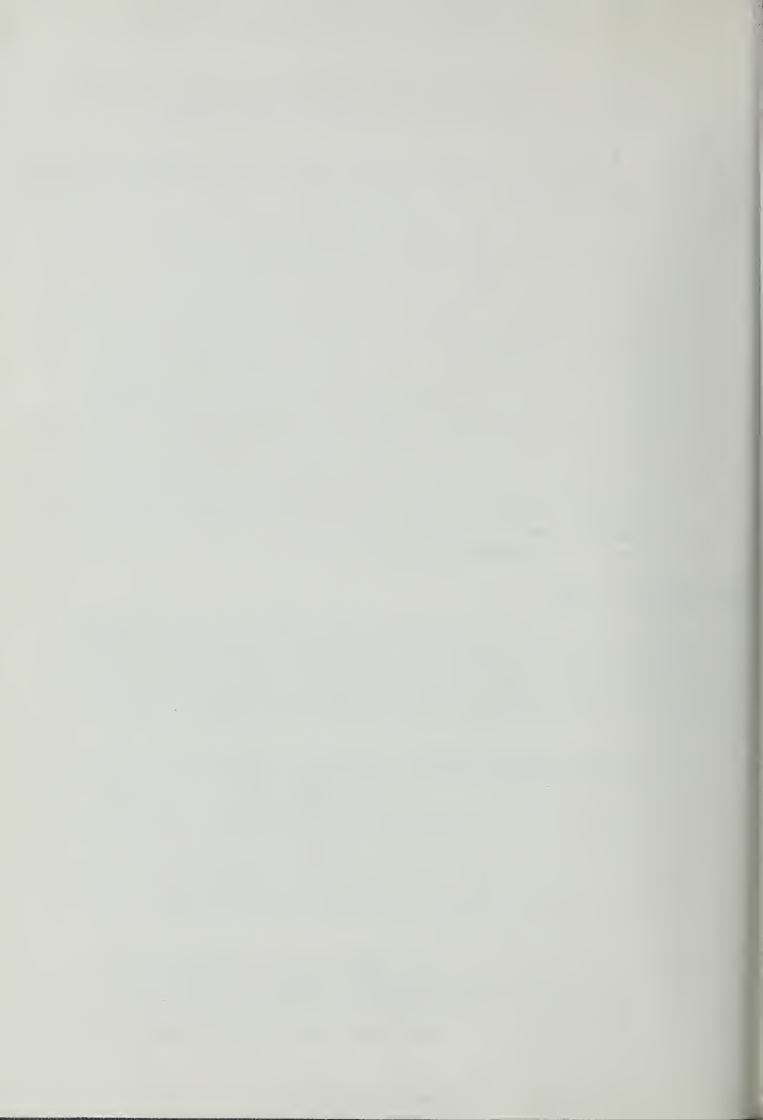
The lack of staff support in all of these areas - finance, personnel, engineering, and planning - has rendered Muni incapable of dealing effectively with major and recurring technical problems.

3. The cable car system has not been adequately recognized as a separate organizational unit. The cable car system is primarily an outstanding tourist attraction for the City rather than a vital link in mass transit. Its different operating and cost characteristics distinguish it significantly from the rest of the municipal transport network. In recognition of this, the Cable Car Division was recently separated from the other operating divisions and made subject to the direct control of the General Manager. However, the authority and responsibility changes required to make the division a semi-independent entity have not been defined nor carried out. As a result, its organizational status is unclear. It is still considered an operating division and is dependent upon the cooperation of other departments for such vital needs as maintenance and repair. Moreover, these departments are an organizational level above the Cable Car Division, and they are not subject to its direction or control. In this situation, the General Manager must devote considerable time to coordinating the Cable Car Division's activities with those of other departments. Further, until its organizational status is clearly defined, it cannot be managed effectively nor can its performance be measured.

RECOMMENDATIONS

Our recommendations are designed to (1) provide the Municipal Transit Department with a senior management team to direct key line and staff activities, (2) establish staff capabilities needed to deal with technical problems on a day-to-day basis, and (3) clarify responsibility relationships. The proposed structure, presented in Exhibit VI, provides for the following new positions:

1. Assistant General Manager, Operations & Maintenance: This new position is designed to ensure full-time, top management direction and coordination for all operations and maintenance activities. This Assistant General Manager will establish a clear focus of responsibility for these activities and will coordinate and control the several departments engaged in them. Coordination will be further simplified by grouping all maintenance and repair activities under a new Repair & Maintenance Department, and by eliminating the Traffic Department as an "operating" entity.
2. Assistant General Manager, Business Administration: This new position will provide the General Manager with highly qualified financial expertise. The specific duties of the position include supervision of the Accounting & Claims Department. The incumbent should devote



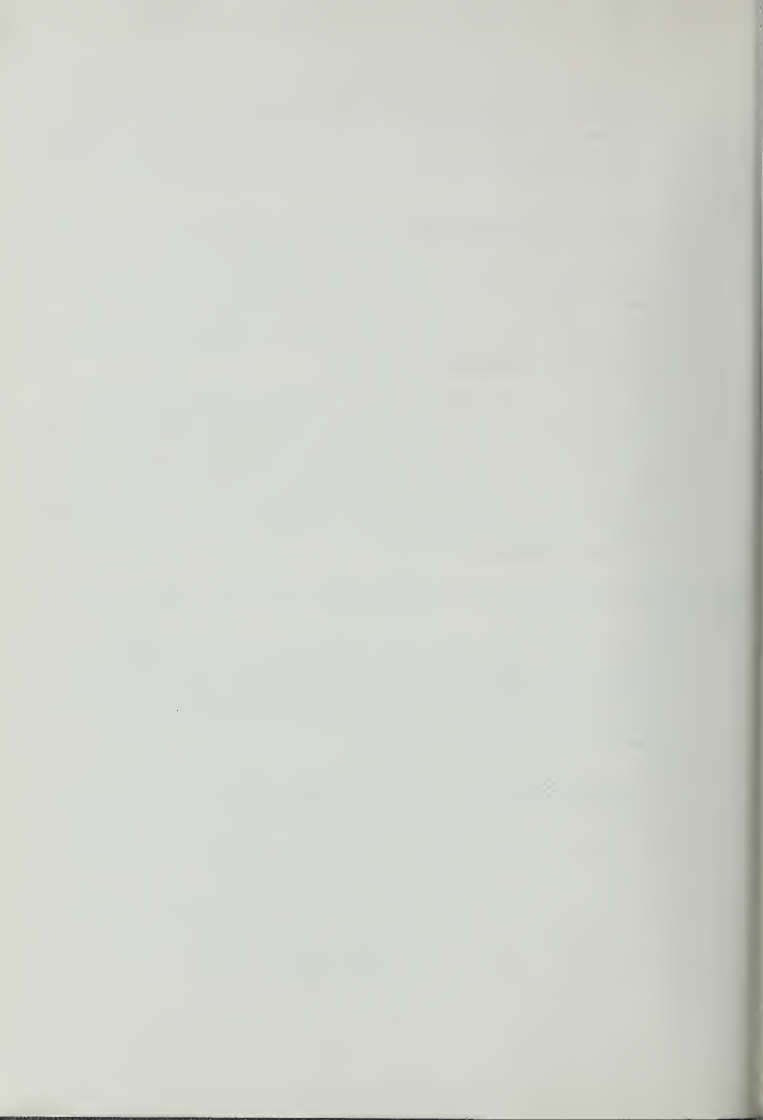
his efforts initially to renovating the entire accounting function by introducing accounting practices and procedures which are more responsive to management's information needs for planning, decision making, and control. There is a particular need for better information concerning operations and repair and maintenance costs.

- ¶ Assistant General Manager, Personnel: This new position will give personnel administration the high priority and the expertise which it requires at the Muni. The Assistant General Manager's overall responsibility will be to establish and maintain personnel practices which stimulate improved employee performance. His specific duties will include union as well as employee relations; he will be in charge of employee training and incentive programs and will conduct appropriate disciplinary proceedings.

The person in the present position of Public Relations Officer will report directly to the Assistant General Manager, Personnel. Instead of devoting his entire time to public information and contacts with the news media; the Public Relations Officer will also be responsible for developing employee programs designed to improve Muni's "image" through better operator-passenger relationships. We are convinced that the conduct of Muni's operators is the most important aspect of its public relations.

The recommended structure for the Muni Department also provides for the following new departments:

- ¶ Engineering Department: This new department will provide "in-house" engineering services which can be directed by management to the specialized problems of transit. Its personnel will be supplied through elimination of the Utilities Engineering Bureau and assignment of its positions to the separate utilities.
- ¶ Planning Department: This new department will perform the scheduling and route analysis activities of the Traffic Department and will assume the responsibilities for transportation planning - including coordination with BARTD - which are now assigned to an Assistant Superintendent of the Transportation Department. The Planning Department also will be responsible for developing short-range plans for Muni's facilities and services, as well as special projects such as examining fare structures and formulating equipment replacement programs. Basic long-term Muni planning will be the responsibility of the newly-created Transportation Bureau.



- ¶ Cable Car Department: The cable car system has been organized as a semi-autonomous operating unit in recognition of the uniqueness of both its service objectives and its operating and maintenance problems. To accomplish this, it will be elevated to department status and rendered independent of other Muni departments with respect to maintenance and repairs; that is, it will be free to contract with outsiders for these services. In essence, the cable car system will become a separate entity; this will facilitate accurate performance evaluation not only for the new department, but also for the rest of the Muni departments. In addition, it will minimize the time the General Manager presently must devote to cable car problems.

* * *

Our recommendations add three new positions at the top management level - the Assistant General Managers of Business Administration, Personnel, and Operations & Maintenance - and provide vital support services. The end product will be a more streamlined and viable business enterprise, with a substantially increased capability to meet the City's mass transit requirements.



Exhibit I

PARISSE ORGANIZATION

WATER DEPARTMENT AND

WATER DEPARTMENT AND

WATER DEPARTMENT

General Manager

A. J. J. J.

Assistant General Manager

B. J. J. J.

Assistant General Manager

C. J. J. J.

Assistant General Manager

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Assistant General Manager

M. J. J. J.

Assistant General Manager

N. J. J. J.

Assistant General Manager

O. J. J. J.

Assistant General Manager

P. J. J. J.

Assistant General Manager

Q. J. J. J.

WATER DEPARTMENT

General Manager

A. J. J. J.

Assistant General Manager

B. J. J. J.

Assistant General Manager

C. J. J. J.

Assistant General Manager

D. J. J. J.

Assistant General Manager

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WATER DEPARTMENT

General Manager

A. J. J. J.

Assistant General Manager

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Assistant General Manager

P. J. J. J.

Assistant General Manager

Q. J. J. J.

Note: Staff activities, i.e., recruiting and personnel, are subject to the direction from their Paris counterparts in the General Office.



General Manager

OPERATIONS & MAINTENANCE

Duply
General Manager

BUSINESS ADMINISTRATION

Assistant
General Manager

WATER & POWER
RESOURCE PLANNING

Assistant
General Manager

- Power marketing
- Rate making
- Future resource needs
- Distribution system planning
- Special studies

WATER QUALITY CONTROL

Division Manager

- Water quality control
- Sewer collection
- Water treatment

ENGINEERING

Chief Engineer

ADMINISTRATIVE DIVISIONS

ACCOUNTING

Head Accountant

- General accounting
- Financial accounting
- Payroll accounting
- Budgeting
- Billing
- Customer service statements
- Utility records
- Sub metering
- ETC.

ELECTRONIC DATA PROCESSING

Division Manager

- Systems development
- Programming
- Billing
- Customer service statements
- Utility records
- Sub metering
- ETC.

COMMERCIAL

Division Manager

- New service orders
- Termination orders
- Account collection
- Meter reading
- Water and power

LAND

Division Manager

- Land records
- Lease administration
- Easement renewal
- Permits
- Property taxes

PERSONNEL

Personnel Officer

- Policies and procedures
- Training and safety
- Union relations
- Requisitions
- Records

SUBURBAN

Division Manager

- System maintenance
- System repair
- Water storage
- Water supply
- Watershed keeping

CITY

Division Manager

- Service renewal
- new service installation
- System maintenance
- System repair
- Water storage
- Water transfer
- Watershed keeping
- Street lighting

HATCH HETTY

Division Manager

- Power generation
- System repair
- Water supply
- Water transfer
- Watershed keeping

WATER & POWER PRODUCTION

Division Manager

- Short-range water and power needs
- Water transfer
- Power generation
- Power generation schedules

ENGINEERING DIVISIONS

DESIGN

Principal Engineer

- Repairs and replacements
- Additional and alterations
- Construction
- Operations

CONSTRUCTION

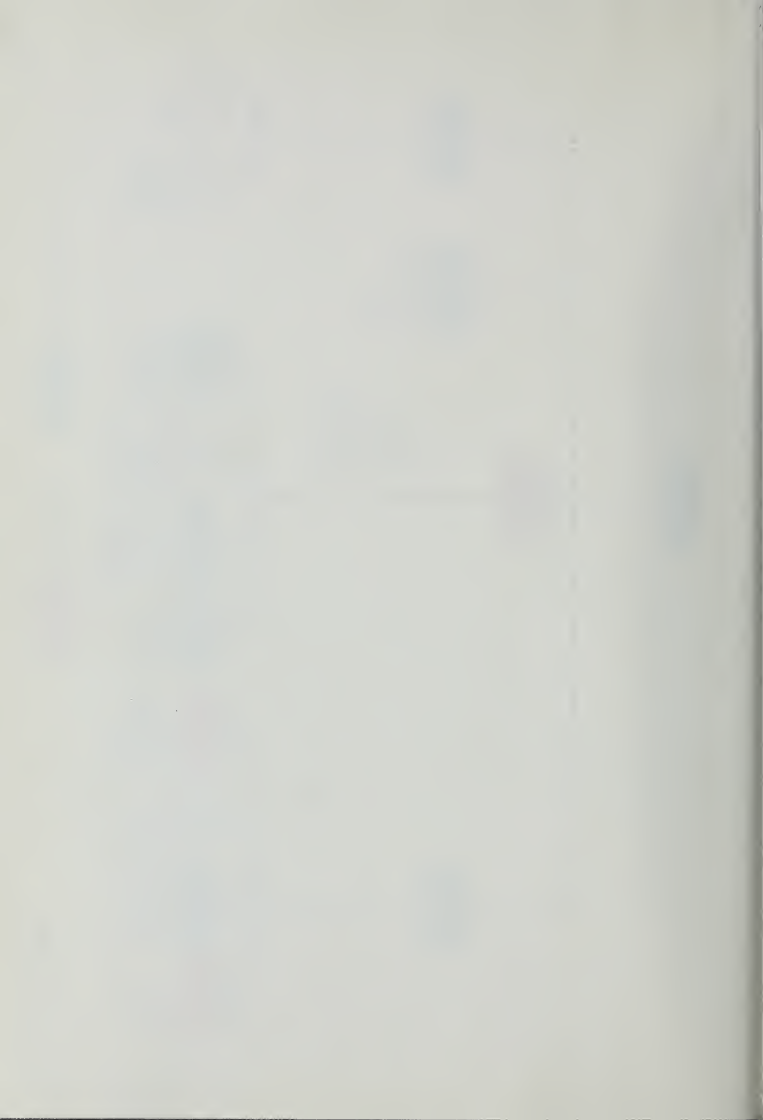
Senior Engineer

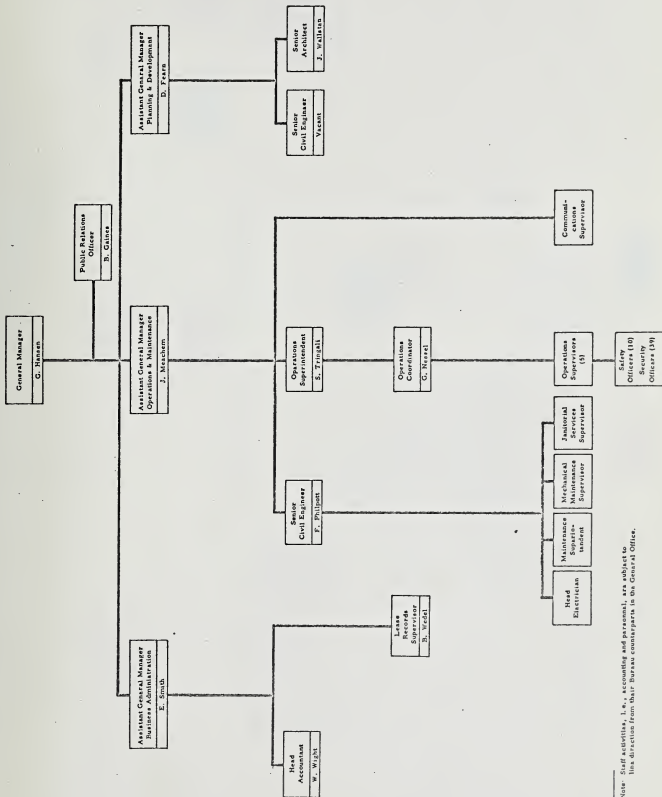
- Civil
- Electrical
- Mechanical

New Management Position

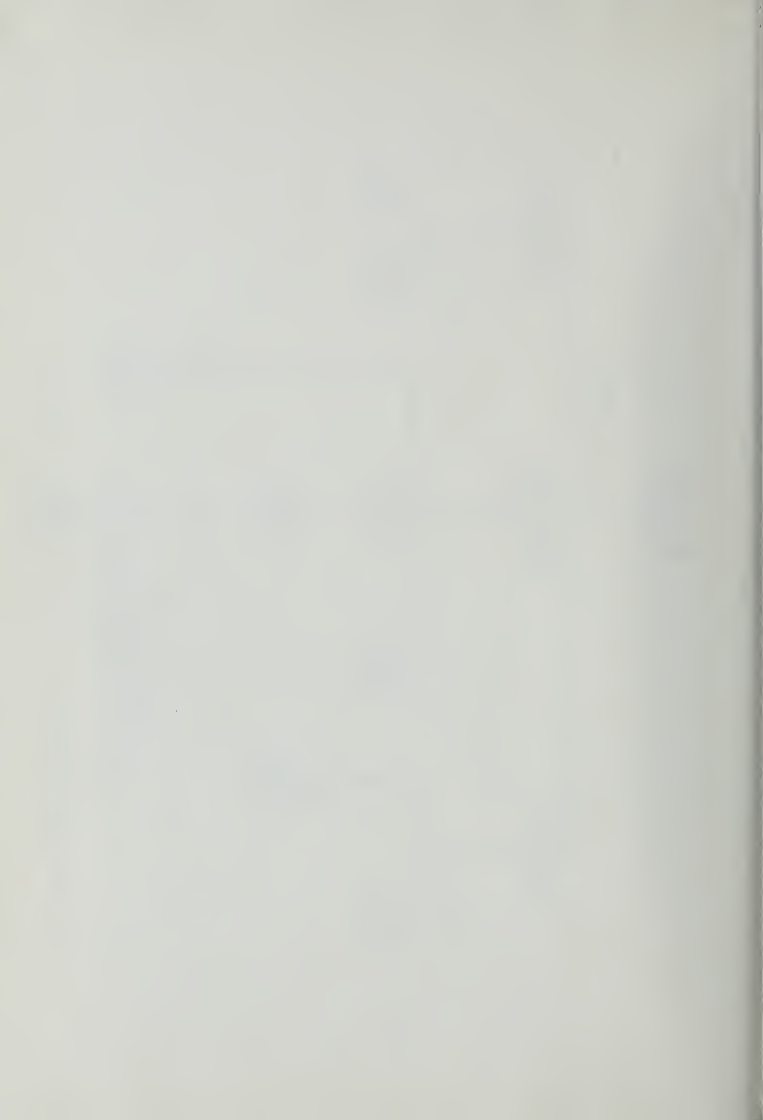
Changed Management Position

Note: Staff activities, e.g., accounting, personnel, planning, receive functional guidance from their Bureau counterparts in the General Office.





Note: Staff activities, i.e., accounting and personnel, are subject to line direction from their Bureau counterparts in the General Office.





New Management Position

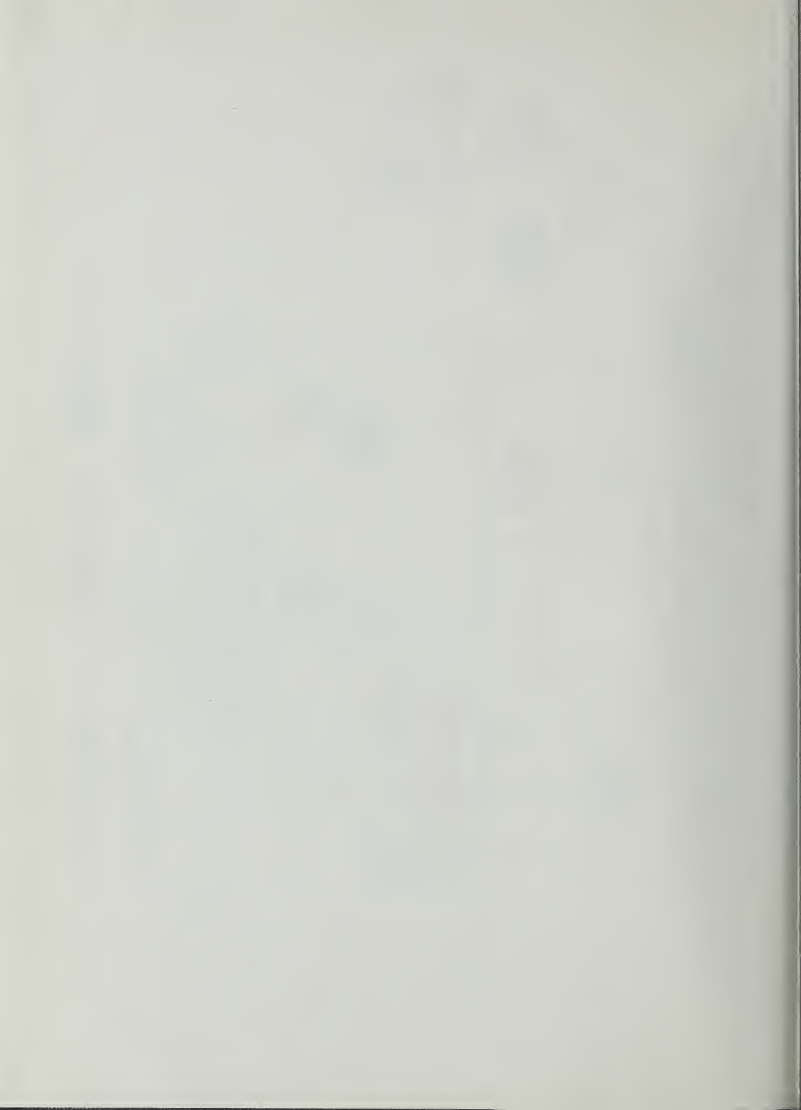
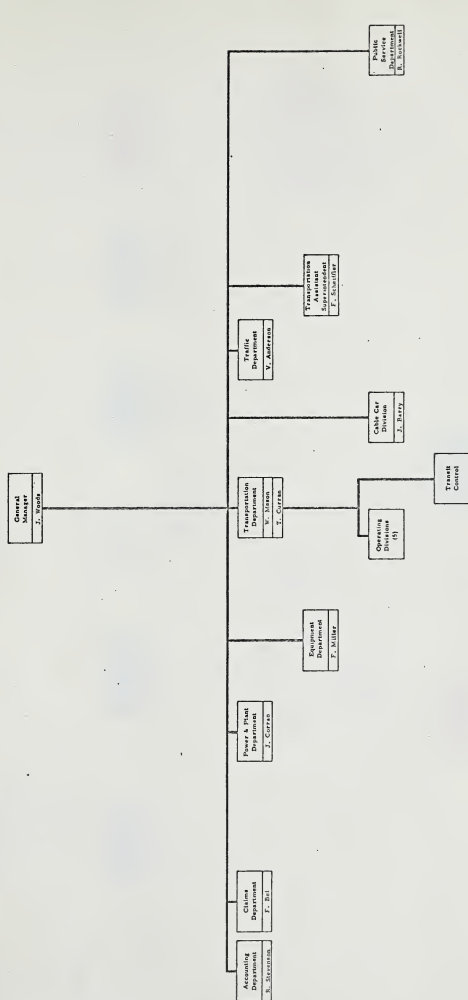


Exhibit V

PRESENT ORGANIZATION
MUNICIPAL RAILWAY DEPARTMENT

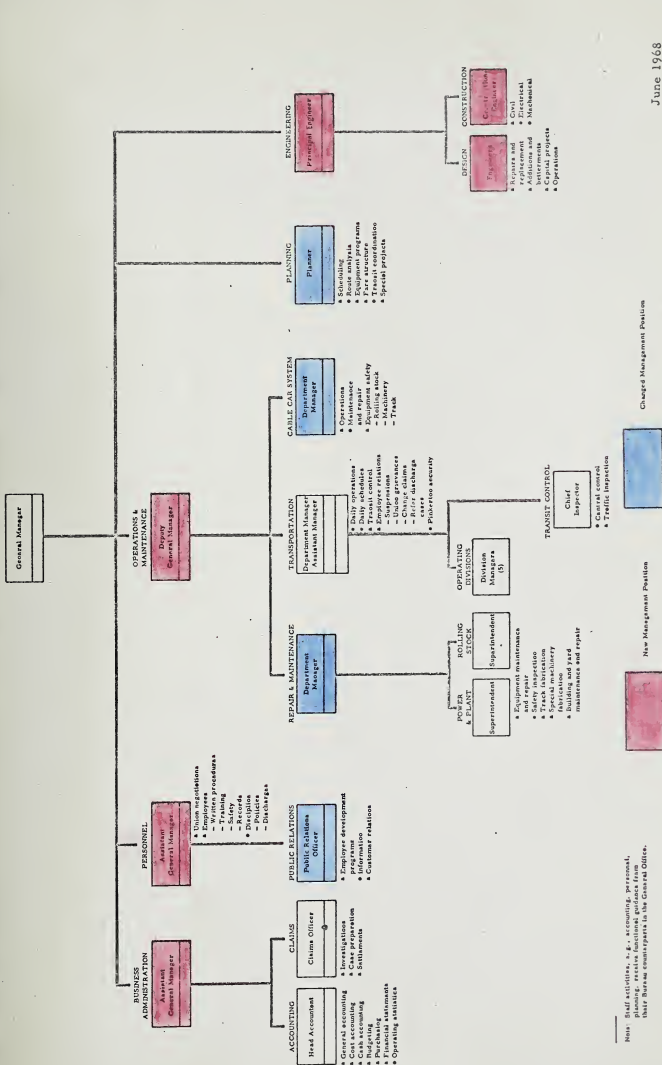


Note: Staff activities, i.e., accounting and personnel, are subject to line direction from their business units and to the General Office.

June 1968

McNairy & Company, Inc.

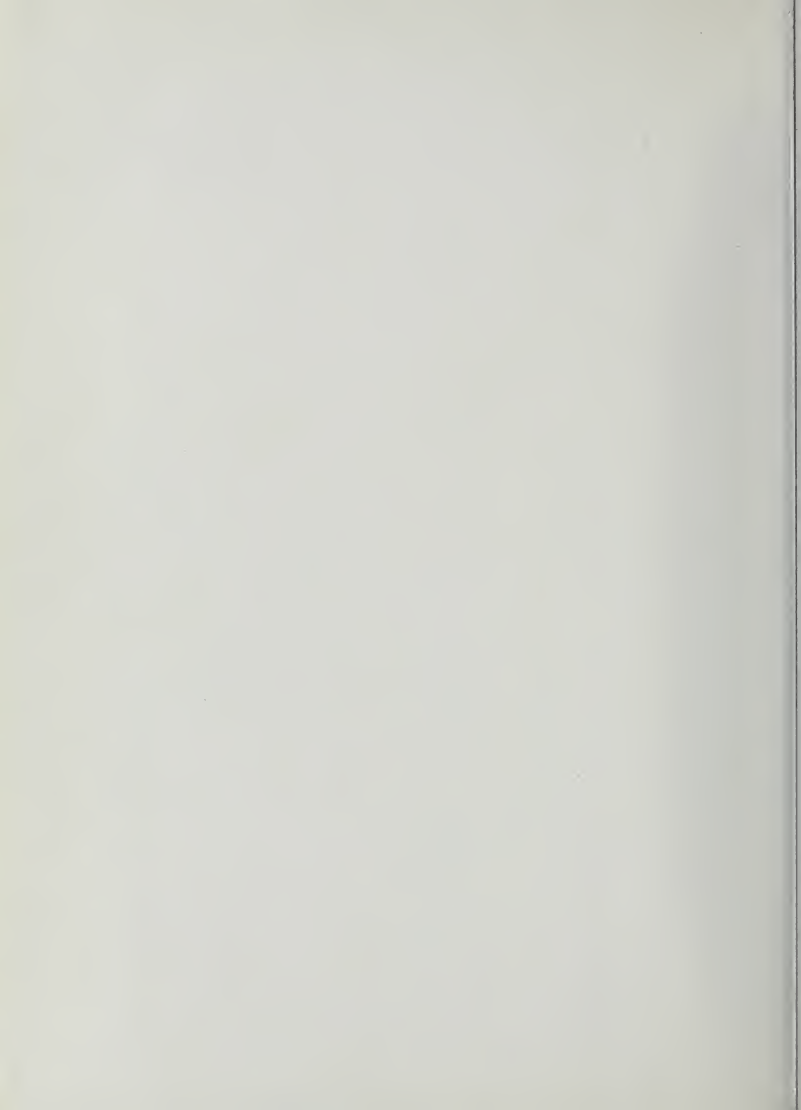




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HAVE A
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